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How is COVID-19 reshaping the role of corporate strategy?

Five new realities chief strategy
officers need to embrace



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A group of business professionals are gathered around a table in a bright, modern office setting. A woman with curly hair is looking intently at a document held by a hand in the foreground. Other people are visible in the background, some looking at their phones. The scene is bathed in warm, natural light from a large window.

While workers around the globe are keeping essential services running, it is imperative for business leaders, particularly senior strategy executives, to **reflect on the lasting implications** of COVID-19 and **what they can do to best position their people, their businesses, and society** to recover and thrive in the long term. Five key shifts can help chief strategy officers (CSOs) successfully guide their organizations through the pandemic.

Introduction

In just six months, COVID-19 has eclipsed nearly every other pandemic or epidemic in the past 150 years in both size and impact. In addition to the disruption to millions of lives, the economic damage has been, and will be, significant and far-reaching. To mitigate risk, business leaders usually try to account for every uncertainty, but recent events present challenges few, if any, executives saw coming. While the impact of these events will not be uniform across all companies, most chief strategy officers (CSOs) share the same top-of-mind question—what role can strategy as a corporate function play to help the business recover and thrive?

To help address this question, we pooled insights from conversations with Deloitte leaders and more than 50 CSOs and senior strategy executives at companies across a range of industries and geographies who are helping their companies navigate the current turbulence. We uncovered five key activities that CSOs can pursue to help their organizations recover from recent events and thrive in the long term:



Balance the here and now with a long-term view



Embrace uncertainty by planning for multiple alternate futures



Reconsider what is possible



Elevate the orchestrator role



Tune into purpose

While there is certainly not a one-size-fits-all approach to dealing with recent events, we believe this moment offers an opportunity to create value and positive societal impact rather than simply reverting to the status quo. CSOs will play an important role in helping their organizations stem the impact of these events and emerge stronger in the long run.

Balance the here and now with a long-term view

Strategic choices are more complex than ever before. To address uncertainty, CSOs need to take a holistic view of enterprise performance that balances a breadth of factors (for example, talent retention, employee safety, brand reputation, cost structure, and liquidity management) with short-, medium-, and long-term goals.

At the moment, companies are understandably consumed with the response effort needed to stay afloat, but it is imperative not to allow tunnel vision focused on survival to drive strategic decision-making. A *Harvard Business Review* assessment of corporate performance during the past three recessions offers compelling evidence that companies that over-index on the short-term compromise success in the long term. In fact, of the 4,700 firms studied, those that cut costs fastest and deepest to solve immediate challenges had the lowest probability of outperforming competitors after the economy recovered.¹ This could be due to a variety of reasons, such as failing to retain long-term talent needs or recognize areas of investment that could take a few years to see a return (such as digital capabilities).

Simply put, the long-term view matters. Short-term actions need to be informed by a perspective on the future and a defined, yet flexible vision for the role the company wants to play in that future—an approach our colleague John Hagel calls “zoom out/zoom in.”² In the current business climate, perhaps more than ever, it is important for CSOs to help their organizations not only see around the corner, but also consider the long-term implications of their short-term strategic choices in order to ensure the viability of the business and enhance the long-term prospects of winning in the postcrisis economy.



¹ Ranjay Gulati, Nitin Nohria, and Franz Wohlgezogen, “[Roaring Out of Recession](#),” *Harvard Business Review*, March 2010.

² John Hagel, Sheryl Jacobson, and John Seely Brown, “[New architectures of resilience](#),” Deloitte Insights, June 2020.

Embrace uncertainty by planning for multiple alternate futures

Placing a bet on a single future or outcome is myopic. CSOs must fully embrace the current state of uncertainty and change the way their organizations plan. As we found in our [2020 Chief Strategy Officer Survey](#), the traditional strategic planning process does not match the dynamism of the current environment and likely needs to be reinvented. Strategic planning is too infrequent (annually or every year, according to 45 percent and 23 percent of respondents, respectively) and takes too long to complete (three to four months, according to 40 percent of respondents).³ Developing long-term scenarios, sometimes referred to as “alternate futures,” is a highly effective technique CSOs can use to help their organizations embrace the possibility of multiple futures. These alternate futures should illustrate the different ways in which the postcrisis economy may play out, as well as take into account some of the most important uncertainties that could affect the company.

We have observed many companies planning for best-, worst-, and most-likely-case situations, but this approach to scenario planning can be misleading and insufficient. Effective scenario planning should use data and a structured process to stretch thinking and challenge conventional wisdom about what the future may be like. Once developed, scenario plans should drive short-term decision-making. To help companies consider how to recover and thrive post-COVID-19, we recently partnered with Salesforce to identify four very different, yet plausible, visions of the future in a three-to-five-year time frame.⁴ These insights will not only help business leaders come together to discuss potential outcomes, but can also serve as a starting point for organizations to take action.

CSOs can take specific actions to help their companies plan for multiple alternate futures, such as creating a playbook that outlines what plays to call and when, including no-regret moves and future-contingent decisions. Additionally, they can build dynamic sensing and tracking capabilities that identify the leading indicators required to inform critical decisions and establish systematic sensing mechanisms to monitor real-time market developments. Lastly, they can recast medium- and long-term financial plans to reflect the expected impact of each scenario. The key benefit of scenario planning is that the company will no longer plan for one “most likely” future, but instead will accept the possibility of multiple futures, work to envision what those alternate futures could look like, and build increased flexibility to adapt as needed.



Developing long-term scenarios, sometimes referred to as “alternate futures,” is a highly effective technique CSOs can use to help their organizations embrace the possibility of multiple futures.

³ Bernardo Silva, Tom Schoenwaelder, Wayne Nelson, and Sarit Markovich, [2020 Chief Strategy Officer Survey](#), Deloitte Insights, April 2020.

⁴ Andrew Blau, Gopi Billa, and Philipp Willigmann, [The world remade by COVID-19](#), Deloitte Insights, April 2020.

Reconsider what is possible

Although crises such as the pandemic pose many challenges, they also present substantial opportunities. Deeply rooted organizational beliefs, sometimes referred to as “orthodoxies,” are being turned on their heads each day as enterprises, consumers, and society are forced to adapt to a changed reality. When the pandemic hit, companies, employees, and customers all around the world were forced to learn to communicate and collaborate in different ways. In some cases, the need to operate in the midst of the pandemic helped companies better understand what they *can* do. To continue functioning, many food and beverage companies embraced e-commerce as their main source of revenue and their pathway to suppliers. Similarly, health care companies adopted telemedicine options to hold virtual office visits with patients. Likewise, cable companies launched self at-home equipment installation. This moment presents an inflection point for companies to reconsider what is possible and inform their strategy and decision-making going forward.

CSOs can use simple brainstorming exercises to help their organizations rethink norms and consider out-of-the-box possibilities. In these sessions, senior leaders and staff can submit orthodoxies they want to challenge (that is, what should be done differently), and then the group can vote on whether to keep the orthodox approaches or follow the newly proposed approaches. Our colleagues Geoff Tuff and Steve Goldbach call this approach “flipping orthodoxies,” and it helps illuminate new ideas while simultaneously highlighting ideas with the most potential. Including staff in the brainstorming sessions is key, as they are typically best positioned to challenge norms.⁵ Given their role in studying fundamental, long-term changes in human behavior, beliefs, and attitudes, CSOs and senior strategy executives are well-positioned to lead the repeal of orthodoxies across the company. CSOs who translate these fundamental changes into overall strategy and strategic decision-making will create a competitive advantage for their companies in the face of talent, time, and resource constraints.



5 Geoff Tuff and Steven Goldbach, [Detonate](#), May 2018.

Elevate the orchestrator role

The role of the CSO is cross-functional in nature. CSOs often consider inputs and implications from across the organization in order to orchestrate sound enterprise strategies. In the current business environment, CSOs are quickly becoming orchestrators-in-chief—they are spending significant time listening to staff and coordinating efforts across various functions and leaders. This aspect of the role becomes especially important in today's rapidly changing environment, which requires efforts to be quickly integrated and streamlined across the company and its employees; thus, the CSO-as-orchestrator role is quickly becoming essential.

This orchestrator role expands beyond the four walls of the company to the broader ecosystem. Outside of the organization, CSOs are tasked with exploring new partnerships and business models that were difficult to pursue before COVID-19. To do so, CSOs must recognize the interdependencies among industries and sectors and identify opportunities to leverage players to generate mutually beneficial value. Taken a step further, CSOs can help shape the markets in which their companies operate by identifying new opportunities, providing guidance on key alliances and partnerships, or transforming their companies into the nexus of the next ecosystem, all while competing organizations remain focused on the crisis.

One immediate step a CSO can take on this front is to map the company's current ecosystem and potential future ecosystem. This mapping exercise will show how the ecosystem might change due to the crisis and how these changes might affect critical alliances and partnerships in the future. This analysis will help the company remain flexible as the uncertain future continues to unfold.



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Tune into purpose

Even prior to the pandemic, consumers and employees were looking for and expecting organizations to prioritize and demonstrate purpose and social responsibility in their decisions and actions. Recent consumer and employee surveys show that focusing on purpose along with profit builds brand, creates confidence, and drives organizational performance.⁶ There is evidence that tuning into purpose can also benefit a company's financial state. Several global investment firms recently reported that their environmental, social, and governance (ESG) portfolios (portfolios that consider environmental, social, and governance issues alongside regular financial considerations) outperformed traditional market benchmarks in the recent market downturn (the first quarter of 2020).⁷

The current challenges only amplify the importance of and urgency around companies tuning into purpose. In a recent event we held with more than 50 leaders on corporate purpose in COVID-19 times, roughly 75 percent indicated their pandemic response efforts are connected and align with their core purpose. Whether out of necessity or good intentions, many companies are taking this moment to wrap their core offerings into a higher purpose. Fitness companies are offering free access to workouts to help users stay healthy and active. Perfume and alcohol companies are converting their manufacturing facilities to make hand sanitizers. Manufacturing companies are focusing their production efforts on personal protective equipment (PPE) for health care workers. Pharmacies and health care companies are converting retail locations to COVID-19 test sites.

While it may be evident why a company should consider purpose when formulating its strategy, in many organizations, *no one* and *everyone* owns purpose (investor relations owns ESG disclosure, human resources owns employee engagement, and marketing and communications owns external communications). Drawing upon the orchestrator aspect of their role, CSOs have a unique vantage point from which to synchronize activities across the organization to yield higher value. As a first step, a CSO can take stock of activities related to, but not limited to, corporate social responsibility (CSR) and sustainability, casting a wide net to map the full portfolio. Next, the CSO can use this portfolio to help the company define its purpose and consider where and how to use its purpose to address growth and/or risk priorities, as well as to propel the societal changes they desire.



Drawing upon the orchestrator aspect of their role, CSOs have a unique vantage point from which to synchronize activities across the organization to yield higher value.

6 Suzanne Kounkel, Andy Main, Diana O'Brien, and Anthony R. Stephan, "[Purpose is everything: How brands that authentically lead with purpose are changing the nature of business today](#)," Deloitte Insights, October 2019.

7 Alastair Marsh, "[BlackRock Joins Allianz, Invesco Saying ESG Outperformed](#)," Bloomberg, May 2020.

The importance of strategy: Guiding the enterprise during truly uncertain times

While COVID-19 has forced companies to rethink almost every aspect of their business, it has also validated the importance of the strategy function. Even in pre-COVID-19 times, companies operated in an increasingly uncertain, complex, and dynamic environment. A company's ability to navigate these conditions was becoming a critical source of competitive advantage before the pandemic. Tasked with shaping the company's long-term strategy and detecting market shifts, the CSO was already positioned to play a crucial role in unlocking value from these disruptive forces.

The pandemic has only underscored the importance and emphasis that companies need to place on being able to navigate change and uncertainty. As one senior strategy executive noted, "The only true certainty is the current uncertainty." Fundamental and structural changes that seemed far off now appear likely to occur far faster and sooner than they would otherwise. Companies are innovating rapidly, embracing new ways of working and learning, and sacrificing elegance for speed. Further, there are more changes on the horizon. The Black Lives Matter movement has ignited demands for equity in the United States and around the globe, compelling companies to also take this opportunity to reconsider their roles in addressing larger societal issues.

In our rapidly evolving environment, strategy functions need to focus on seeing around the corner of what comes next, positioning their companies for sustained success, and driving growth in bold ways. The challenge will be how to do so effectively in a significantly different COVID-19 environment, which is widely referred to—yet still not clearly defined—as the "new normal." By focusing on the five key activities we have identified, we believe CSOs and thus the strategy function will be well-positioned to help their organizations greet whatever comes next.



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