

STRESS-TESTING BUSINESS STRATEGIES

STRATEGY VALIDATION DOMAIN

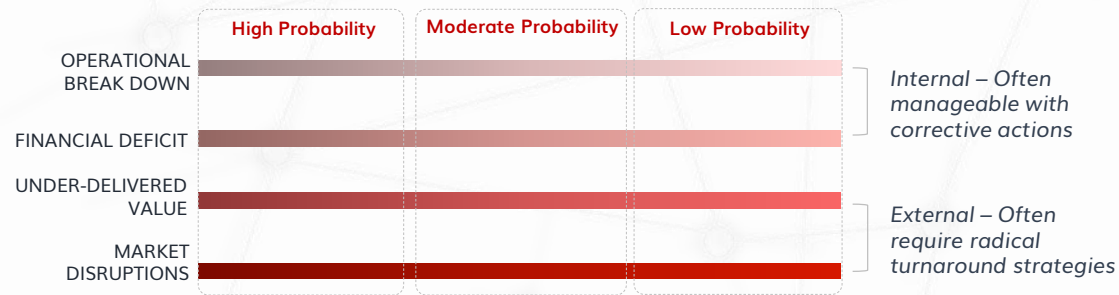
PRACTICE OUTLINE

This document briefly illustrates why organizations shall consider stress-testing their strategies before taking them into actions and the challenges to do it right and fast. It also showcases in brief our approach in stress-tests.



WHAT IS MEANT BY STRESS-TESTING STRATEGIES (STS)?

A stress test is an assessment of how a designed system functions under severe and unexpected pressure. In a business strategy context, it helps executives with asking the right questions while validating their plans thus identify possible vulnerabilities, inefficiencies, and weaknesses in proposed strategies that might occur once the base scenario changes. STSs vary based on two dimensions: (1) The business aspect and (2) the probability of happening. The classification is illustrated in the visual below.



WHY IS IT SO ESSENTIAL NOW A DAYS ?

- **Subjectivity is tempting.** We do not know what we do not know; and that's why many executives walk their companies confidently into strategic traps because of poor validation.
- **Disruption is at the door.** A company that does not innovate would eventually perish. Your always at the risk of being out-innovated by your close competition.
- **Increasing volatility and uncertainty.** As globalization and technology bring opportunities, they do increase complexities which threaten your strategic intentions.
- **Stakeholders are becoming more demanding.** Whether investors, regulators or suppliers, no one will settle with failed strategies and mismanaged troubles.

WHAT ARE THE CHALLENGES TO SUCH PRACTICE?



CHALLENGE I: INEFFICIENCY

Although many executives are now aware of the significance of STS, the majority skip it due to the complexity and inefficiency which discourage them from using objective strategy validation methods. Therefore, the essence of our contribution is filling in this void in order to enhance the quality of outcome without complicating the process.



CHALLENGE II: SUPERFICIALITY

Turning the STS exercise into a procedure without understanding its essence drives many managers to carry it out carelessly and without sufficient attention to details. This leads to misleading others and causing misunderstanding of the business situation. Hence, a precise balance has to be set between efficiency and quality of analysis.



CHALLENGE III: LACK OF ACTION

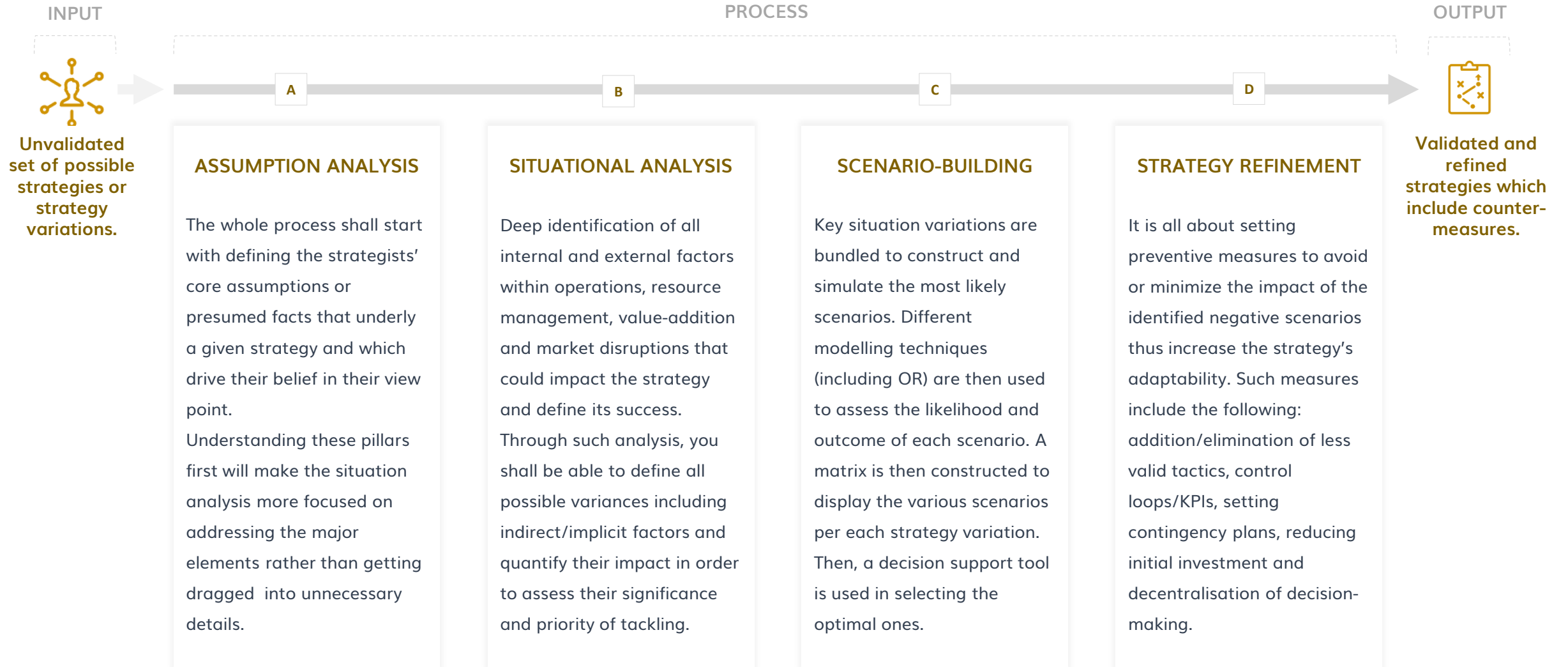
Building a solid understanding of the different variables that might impact a given strategy is crucial but completely useless if preventive and counteractive tactics were not put in place. The ultimate purpose of STS is refining and bullet-proofing a strategy through adjustments. Thus, knowledge without action, does not limit the vulnerability.



CHALLENGE IV: UNNECESSARY COSTS

As inefficiency and superficiality are inversely-directed challenges, strategic adjustments (actions) might have a drawback of increasing the duration and costs of strategy execution. Hence, over-cautiousness has a costly price tag which should be avoided by setting up preventive measures which are proportional to the foreseeable risks.

STS IMPLEMENTATION PHASES



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