

A person with a backpack is seen from behind, standing on a balcony or walkway and looking out at a vibrant city skyline at night. The city lights are blurred, creating a bokeh effect. Two vertical blue bars are positioned on either side of the main title.

Taking Corporate Strategy to the Digital Age

Where we are in the Corporate Strategy story arc

Strategy is a highly integrative and human-centered discipline. Strategy practitioners engage numerous stakeholders across their organization to build a story around the health of the business today and to chart an aspirational, yet realistic path toward growth. Strategists blend appeals to science and art, logic and emotion to align management on how the organization should evolve. While strategic planning - complemented by well-established processes for gathering perspectives across the organization and collecting insights from the external market environment - has been a fundamental part of the sense-making, ideation and storytelling process for corporate strategists and executives, artificial intelligence (AI) holds the potential to improve its quality and pace in significant ways.



The adoption of AI and machine learning (ML) in products and business processes has been taking place for more than a decade but has accelerated poignantly in the last several years. According to EY-Parthenon's *Digital Investment Index*, the number of companies reporting that they are now realizing the full benefits of their investments in AI has ballooned from 7% in 2020, to 21% in 2022. From robotic process automation to deep learning and Natural Language Processing, companies have been adopting AI and ML capabilities across an array of use cases, including customer service analytics, operation optimization, churn prediction and risk modeling.

The technological revolution recently introduced by generative AI, however, can profoundly impact how businesses think and invest in data-driven solutions. Its transformational capabilities have the potential to reshape how businesses solve complex problems, such as vulnerability to external shocks (e.g., supply chain

disruptions), poor management of massive amounts of data and even sustainability issues. This is reflected in organizations' growing appetite for AI investments, as nearly half of organizations that made investments in AI over the last two years foresee continued investments within the next two, based on the findings of our *Digital Investment Index*.

While there is certainly a "hype factor" for generative AI, strategy professionals and leaders should begin exploring where it can unlock value, while uncovering where its limits exist. Companies that can unlock AI's value at a strategic - not just functional - level, stand to win the most in the years ahead. In a world where generative AI and other emerging technologies are serving as a great equalizer that levels the playing field for companies of all sizes, corporations cannot dismiss the combined power of data and AI to redefine *strategic* value creation within their industries.



You are only as good as your insights and your data strategy behind them

Business literature and media are pointing to the differentiated value of proprietary enterprise data sets in the age of AI. To support strategy development, strategists and company executives will become even greater proponents of more diverse, and accessible internal data sets. AI capabilities, harnessed through powerful chat interfaces (whether third-party or corporate-owned), will simultaneously be tapped to create more seamless connections of data across the organization. Within this backdrop of proprietary data, AI-powered tools including those licensed from a host of inventive start-ups, will simultaneously enable (near) real-time monitoring of the external environment, namely customer demand signals, as well as changing competitive and macroeconomic conditions.

Three key implications emerge because of these data- and input-related evolutions. First, AI's ability to triangulate large volumes of company data will democratize operational, consumer, transactional and financial data like never before. Stakeholders

will be able to more easily glean how other parts of the organization are performing and enterprise data will break away from the historical grip of "siloing". Second, data and AI will help business unit leaders evaluate the performance of market tests more quickly and comprehensively, ultimately helping their organizations "fail fast to win fast". Adjustments to products / services or the marketing mix can happen almost immediately in response to a data-driven "feedback loop" from the market, such as evolution in market share. Finally, and thanks partially to greater data visibility, strategists and business leaders both at the enterprise and functional level will be able to use AI tools to efficiently synthesize data at scale. Leaders will be able to focus more on imagining possibilities versus consolidating and extrapolating insights manually. These are the ways in which AI-enabled descriptive analytics will improve the organization's collective understanding of itself and its environment as part of the input collection process of strategy formulation and planning.



Redefining how we chart the course

Strategy is all about the decisions we make as business leaders. Beyond the realm of improved descriptive insights, generative AI - complemented by more expansive data sets - will support more intelligent and responsive strategic decision-making by enhancing the quality of predictions and helping generate non-obvious recommendations. We already see AI giving rise to more powerful data-driven forecasts across every imaginable value chain function, whether it be a subscriber forecast in sales and marketing or a shipping cost projection based on anticipated order volumes within supply chain and logistics. Predictive AI will also help strategists triangulate function-level insights to build out possible financial scenarios for the enterprise, evaluating “baskets of function-level decisions” that produce the best enterprise-level results. These AI-driven predictions will help leaders prioritize new strategic initiatives while reprioritizing existing ones as part of the strategic planning process.

AI tools, powered by internal and external data inputs, will help strategy professionals consider new possibilities for their organization. Generative AI can already recommend which new products or services to introduce as part of the company's innovation agenda. In terms of supporting strategy activation, AI can also guide leaders

on which ecosystem partnerships to explore further based on the strategic ambitions the company chooses to pursue. Similarly, it can identify which companies and start-ups may best fit predefined criteria as attractive acquisition targets. Finally, and possibly most ambitiously, AI may help leaders explore which new business models and broad value proposition concepts (i.e., new businesses, entirely new revenue streams, etc.) to consider based on what is known of the business today, where it strives to go and how disruptive forces are expected to unravel in within the industry or market.

A word of caution on AI-generated recommendations: language models today, generally speaking, have considerable limitations around accuracy and relevance when prompted to provide recommendations that rely on a high degree of subjectivity. Consequently, strategists will have to take prescriptive advice on far-reaching decisions with a large dose of skepticism and scrutiny. While AI and ML models can excel at Next Best Actioning when it comes to recommending solutions in well-defined contexts (such as what offer to present next to a customer within the realm of digital marketing), their capabilities are much more limited when it comes to advising new revenue streams, for example.

How to get started

Taking inspiration from the actions of their colleagues in other parts of the organization, corporate strategy professionals should collaborate with key organizational stakeholders to set on the AI-enabled strategy formulation journey. We outline 5 steps below for getting started:

- ▶ Advocate investments in Digital talent, training and innovation. Using data and AI-powered tools requires a blend of technical prowess, flexibility and open-mindedness.
- ▶ Encourage experimentation with AI-enabled tools through modeling the behavior. Have strategists, particularly at the analyst level, explore using AI-powered tools -particularly those that are no- or low-code in nature- to automate (or at least accelerate) analysis and efficiently uncover otherwise latent insights.
- ▶ Challenge existing strategic planning governance processes. Evaluate structures, entities and decision rules to identify opportunities to streamline or remove roadblocks that accelerate decision-making and communications as part of the AI-enabled strategy formulation process.
- ▶ Pursue transversality. Operating in a fast-paced, digitally enabled world requires multidisciplinary collaboration across the organization, so teams across functions should be enabled and incentivized properly to partner across organizational lines.
- ▶ Stress a dynamic, data-driven future. With the accelerated pace of change -driven by the dual forces of new technologies and ever heightening consumer expectations- it may be necessary to shift from an annual strategic planning process complemented by quarterly business reviews to an overarching strategy formulation model that is ongoing, or at least more frequent.

EY-Parthenon can help you leverage digital strategy, data and technology to reinvent your business, fuel growth opportunities and accelerate future transformation. We combine digital technology expertise, business acumen and sector knowledge to help you build, scale and launch next wave digital initiatives.

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