

Braving the wind of change
Resilient portfolio strategy

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Executive summary

- In a world of increasing volatility and complexity, **scenario thinking becomes vital** for considering the different ways the future can play out
- To do so, executives need to think **holistically about a company's portfolio** to sustain the aggregate value of holdings in the long run
- **Two central questions** to be answered: How does the current portfolio perform in alternative scenarios? What are no-regret options for the portfolio?
- Monitor Deloitte has found that organizations need to **build resilience within their portfolios** to appropriately address critical uncertainties in the future
- A resilient portfolio performs well **across a range of plausible industry futures** and gives the company the flexibility to change strategic course
- The exercise is a crucial step towards building an **advantaged portfolio** that is not only resilient but also strategically sound and value-generating
- For illustrative purposes, the twelve-step approach is exemplified through a **fictitious global media company** responding to uncertainty

“The best strategies position a company to win not only today, but in the future. However because we can't perfectly predict the future, scenarios are a critical component of any strategy process. Scenarios do create an important choice for executives, however—do I optimize my portfolio for a single future operating environment, or do I build in resilience to ensure my portfolio can survive and thrive in a range of potential futures/ scenarios.”



Gavin McTavish

Global Offering Lead for Corporate and Business Unit Strategy and co-author of Building an Advantaged Portfolio

The case for resilient portfolio strategy

Assessing and designing corporate portfolios in an uncertain world requires a resilient approach to managing company portfolios.

Where to get the best bang for your buck? This question is one of executives' most challenging tasks, i.e. to allocate finite capital resources across a wide range of business units, projects, and investment options.

Here pressure from capital markets to find a company's optimal investment mix has recently risen to all-time highs. In particular, activist investors increasingly criticize executives who are not maximizing the value of their respective firms and they are tightening the thumbscrews. Executives are hence forced to constantly justify existing investment or business unit portfolio decisions as to whether they offer the optimal return on investment.

Today, the advent of new technologies, an intensified race to go digital, changing customer requirements, and macro-shifts in the economy and/or culture create turbulent times for organizations and pose existential challenges to their value proposition – not to mention the threat of disruption by innovative competitors from inside and outside the industry. Business units that today add substantial value to an organization may fail to contribute any profits in the next year due to changed customer requirements.

Today's large global companies are already reacting to the new market environment by investing in new fields of business and selling off existing business units:

In 2018, the acquisition of the UK telecommunications company Sky resulted from one of the most intense bidding wars. It raised the final cost far beyond the initial bids offered by the two main bidders 21st Century Fox and Comcast. Sky puts Comcast in a better position to compete against emerging disruptors (e.g. Netflix) and their offers to its customers. The acquisition will provide new content and services for Comcast and thereby shift the company's portfolio more towards media networks.

In 2011, S&P Global (McGraw-Hill Companies before 2013) took a similarly impactful portfolio decision. Divesting its education business, McGraw-Hill, and realigning its operating model to focus on core capabilities in financial information and analytics, S&P Global increased its market value by about \$23 billion. Although both decisions constitute considerable changes to the corporate portfolio, their context is very different:

Comcast's acquisition of Sky is a reaction to a rapidly changing media environment with new competitors such as Amazon and Netflix. By contrast, McGraw-Hill Companies was a potpourri of distinct businesses and brands in the financial, media, and education industry without any source of short or medium-term synergies. To remain successful in a highly volatile market environment, traditional (static) portfolio management approaches are, however,

no longer sufficient and new concepts are urgently required. Organizations need to look beyond building portfolios that are strategically sound in today's prevailing market conditions and build long term resilience within their corporate portfolios to appropriately address critical uncertainties in the future. A resilient portfolio performs well across a range of plausible industry futures and gives the company the flexibility to change its strategic course depending on how critical near-term events unfold.

Of course, designing an (investment or business unit) portfolio resiliently, comes at a certain price and companies have to decide if they want their portfolio to be resilient. However, from our perspective, resilient portfolios offer inherent value to organizations, e.g. maximized return on investment and minimal external interference.

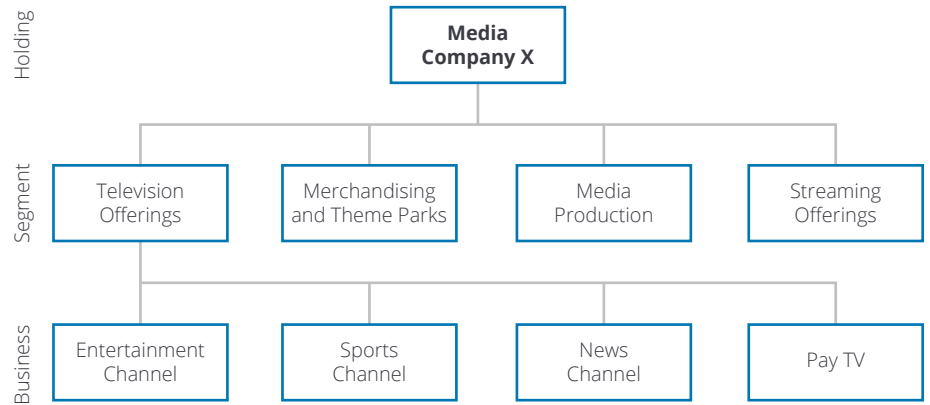
The goal of the study at hand is to provide a dynamic approach towards strategic portfolio management that enables companies to establish a resilient portfolio and confront uncertainty, especially when assessing and designing corporate portfolios. To make our approach more tangible, we will illustrate all aspects with the help of a fictive media company.

What is a portfolio?

In the context of this study, we refer to a portfolio as the collection of businesses that an organization has invested in or owns. These businesses are strategically distinct, as each of them has its own set of competitors with only a few overlaps. Their competitors may differ regarding the basis of competition (e.g., cost- or differentiation-based competition) or in geographies.

However, portfolios also exist at a more granular level—within a business unit, division or product line—and can be subject to portfolio analysis, whereby the proposed approach can also be applied.

Fig. 1 – Organizational structure Media Company X



What is an Advantaged Portfolio?

In our experience, successful—advantaged—portfolios exhibit three distinct characteristics that make them stand out from the crowd: they are strategically sound, value-creating, and resilient. To be successful in the long-term, portfolios must fulfill all three criteria. Assessing and fine-tuning these characteristics should hence be the objective of any corporation aiming to build and maintain

a top-performing portfolio. To do this, Monitor Deloitte has developed a multi-dimensional framework that tests each of these characteristics across a range of criteria (see Figure 1). This enables the Advantaged Portfolio framework to address drawbacks of traditional portfolio models by considering not only the individual portfolio components, but also the interaction between them, enabling an evaluation of the system as a whole.

Fig. 2 – Three characteristics constitute an Advantaged Portfolio



Source: Monitor Deloitte (2015): The Crux of Corporate Strategy—Building an Advantaged Portfolio

“Markets are constantly in a state of uncertainty and flux and money is made by discounting the obvious and betting on the unexpected.”

George Soros

Resilience as a key portfolio feature

Portfolio resilience is vital for sustainable business success

In today's business environment, executives, strategists and corporate portfolio managers operate in a field of tension.

On the one hand, many business models have reached the plateau of their s-curve (i.e. growth curve over the life cycle) and shifted their focus towards efficiency gains. The increasing influence of capital markets, especially activist investors, additionally forces companies to strive for operational excellence by rigorously cutting back on non-value adding expenses or efforts. This "pressure for efficiency" often reduces innovation capabilities as companies concentrate on moderating existing value streams. Investors urge corporate decision-makers towards prudence maximizing the return on investment of an optimized portfolio.

On the other hand, companies increasingly feel a "pressure for innovation" to move to the next s-curve requiring disruptive innovations and new value creation approaches. However, none of the decision-makers knows which innovation brings long-term success to their organiza-

tion. They are acting in a vacuum without having a clear framework or guidance for the future. Consequently, they are forced to make several vague bets and experiments managing a "portfolio of bets".

The trade-off between the "pressure for innovation" and "pressure for efficiency" is one of the key challenges executives, strategists and corporate portfolio managers face today. The resilient portfolio strategy offers an attractive approach to solving this trade-off, combining innovation with efficiency or prudence.

A resilient portfolio is based on three main characteristics: a resilient portfolio 1) survives scenarios, 2) builds optionality and 3) balances feasibility and risks. In the following, we explore these characteristics as well as the methodological fundamentals.

Fig. 3 – Resilience as a key feature



Source: Monitor Deloitte (2015): The Crux of Corporate Strategy–Building an Advantaged Portfolio

“I can’t take the risk of choosing path A or path B today. I need to know whether I can get the deals done before I commit one way or the other (...).”

Electronic Materials Company CEO

1) Resilient portfolios survive scenarios

In a world of constant flux, businesses face changing customer preferences, the proliferation of emerging technologies, and a shifting geopolitical landscape, among others. Although some trends are easy to predict, others are unknown while having outcomes that could be highly impactful. A resilient portfolio will respond to various business environments.

To frame future developments, scenario planning is the concept of choice. It considers the non-linearity of trends, asking for extreme endpoints of future developments. By combining elements coherently, it helps to depict convincing stories of market environments (scenarios). Executives can determine implications for industry dynamics, both customer as well as stakeholder needs and draw portfolio conclusions for each scenario.

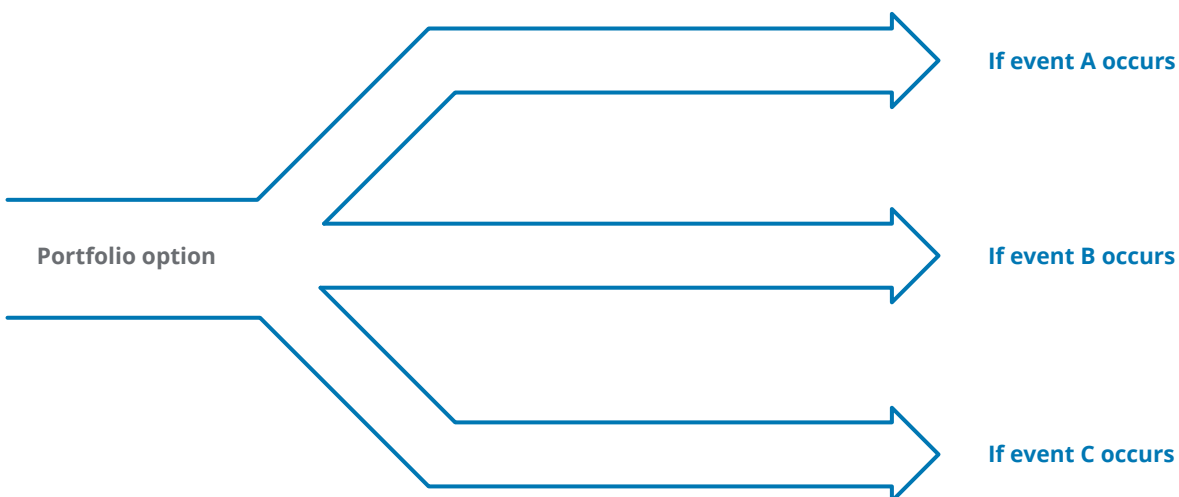
Resilient portfolio management helps to answer the question of how the portfolio will survive in different future scenarios and which strategy elements need to be addressed to enable long-term success. It therefore responds to the “pressure for innovation” by providing executives with a level of “cognitive diversity”.

2) Resilient portfolios build optionality

A resilient portfolio provides a company with the necessary flexibility to master every occurring challenge and to identify profitable opportunities before they become a commodity. The anticipation of more than one potential future scenario leaves portfolio managers with multiple options for value creation. Therefore, the development of options or “bets” is a crucial part of a resilient portfolio.

The anticipatory nature of resilient portfolios enables executives and portfolio managers to gain flexibility to react (i.e., invest or divest) to the most recent market developments quickly (i.e. efficiently). They can thereby respond to the “pressure for innovation” as well as the “pressure for efficiency” in parallel.

Fig. 4 – An “if/then” approach creates optionality (stage-gating)



3) Resilient portfolios balance feasibility and risks

A resilient portfolio requires weighing feasibility and risk.

Feasibility considers the practical challenges of implementing a portfolio option. For example, feasibility dimensions include the ability to finance, the availability of M&A targets and the management’s ability to execute.

Risk addresses the potential for subsequent unfavorable developments. These developments may include competitive reactions, the success or failure of new technology as well as changes to the regulatory environment.

Each “bet or experiment” within the option space presents a different feasibility and risk profile. Given an organization’s ambition and risk tolerance, a resilient portfolio will appropriately balance risk and feasibility against the upside potential. Feasibility and risk must be assessed across several organization-specific dimensions and measured against the risk tolerance of the organization to result in the optimal relation between risk and return.

To illustrate the methodology of Advantaged Portfolio and the new Resilient Portfolio Management approach, we will now take a close look at our illustrative Media Company X as a case study.

Fig. 5 - Exemplary framework to assess feasibility and risks of different portfolio options

Sample Dimensions	Portfolio Option X	Portfolio Option Y
Feasibility (Pre-Build)		
Ability to finance	Low ●	High ●
Availability of targets	Med ●	Med ●
Antitrust barriers	Low ●	Low ●
Risk (Post-Build)		
Competitive Reaction	Low ●	Low ●
Technology Risk	Med ●	Med ●
Regulatory Risk	High ●	High ●
Capital markets reaction	Med ●	High ●
M&A integration	Low ●	Low ●
Macroeconomic Risk	Med ●	Low ●

Source: Monitor Deloitte (2015): The Crux of Corporate Strategy- Building an Advantaged Portfolio

A case in point: Media Company X

To illustrate the Resilient Portfolio Management approach and highlight the benefits, Media Company X will serve as a case study.

Media Company X serves as an example of a company whose executives have successfully built and promoted a consistently successful portfolio of distinct businesses. Leveraging its core content-creation capabilities, Media Company X not only effectively combines several related businesses, but also manages to be present in diverse markets worldwide and reach its loyal customers through many different channels, whether through movie tickets, advertising services in the B2B business, or exclusive content via pay-TV channels. Today, most of its businesses are among the leaders in their industry and create strong synergies across the portfolio. In the past ten years, Media Company X's share price has increased significantly. Therefore, the company's involvement in some of the most disruptive industries make it an interesting illustrative case for investigating the Resilient Portfolio Strategy.

The company's portfolio consists of the following segments: Television Offerings (with a variety of different topic-related channels), Merchandising and Theme Park (focusing on merchandise, licensing as well as theme parks and hotels), Media Production (a traditional content producer) as well as Streaming offerings (providing online on-demand streaming services).

The Television Offerings business segment contains cable network business and broadcasting that includes an Entertainment or Pay TV Channel. It makes up over 40% of the company's revenues, which mostly depend on the number of viewers that drive subscriptions and advertising revenues. While trying to diversify its offering through acquisitions, the Federal Communications Commission (FCC) strictly regulates the top U.S. broadcasters, posing a limit on acquisition plans.

The second business segment is the Merchandising and Theme Parks unit. Revenues stem from theme park admissions, hotel stays, sale of merchandise and licensing characters and content from films. To mitigate the challenges of intense competition and seasonality, Media Company X drives international expansion and growth by developing new products.

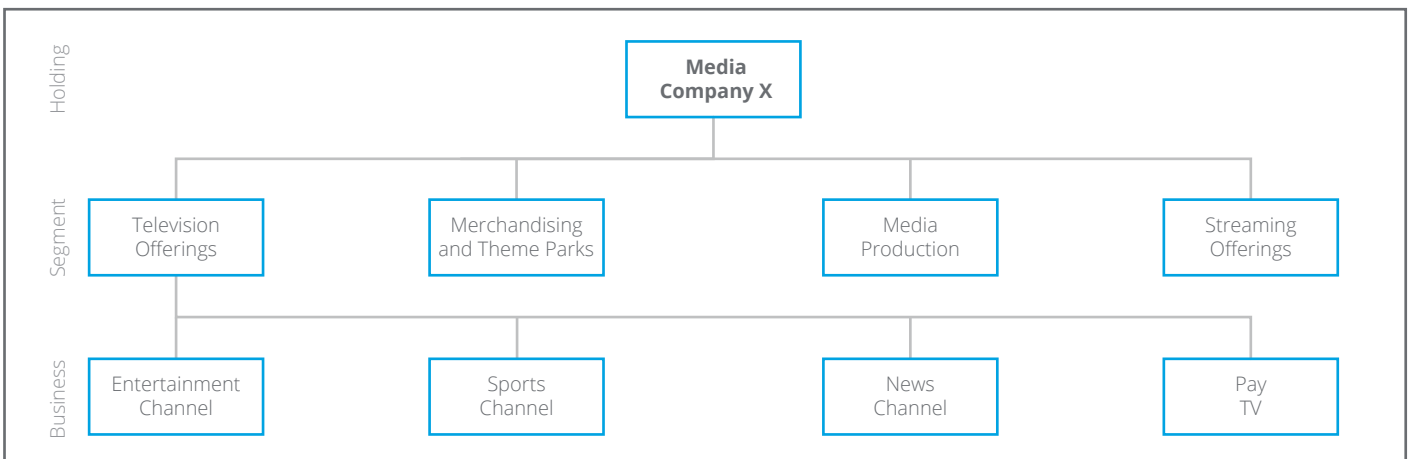
The Media Production business unit contains the production and acquisition of live-action and animated motion pictures. To complement its studios, several large-scale acquisitions have been made in the last few years. These deals diversified the company's portfolio and increased its market power abroad, especially by adding new content franchises to its offering,

such as the filming of popular fantasy books. Competitive pressure and shifting public tastes are typical challenges that are tackled by conducting key strategic acquisitions and thereby serving a broader audience with more diverse content.

In its most recent reorganization, Media Company X created the new Streaming Offerings unit. It combines existing media library offerings of the traditional TV channels with a new on-demand streaming service. This enables Media Company X to enter a sky-rocketing market. Here the company responds to rising user numbers of video-on-demand services and new competitors like Netflix entering a close relationship with customers and taking over the value chain.

Fig. 6 – Derivation of Media Company X portfolio from industry analysis

	Walt Disney	Comcast	Viacom	CBS	Time Warner
Revenue (in EUR bn)	52.5	82.3	11.1	12.6	10.1
FTE	201,000	184,000	10,400	12,770	26,000
Footprint	Global	Global	Global	Global	Global
Bus. Areas					
TV Network	Yes	Yes	Yes	Yes	Yes
Merchand.	Yes	Yes	No	No	Yes
Media Prod.	Yes	Yes	Yes	Yes	Yes
Streaming	Yes	Yes	No	Yes	Yes
Popular brands/products	Disney ESPN abc	sky UNIVERSAL NBC	MTV COMEDY CENTRAL Paramount Pictures	CBS SHOWTIME	HBO Warner Bros.



Sources: Annual Reports, Monitor Deloitte Analysis

Towards a resilient portfolio

The Resilient Portfolio Management approach involves twelve consecutive steps

Although the characteristics of a resilient portfolio are easy to understand, building a resilient portfolio in the light of uncertainty is a complex endeavor. It is not simply a matter of assessing a few KPIs, but rather requires foresight, creativity, and optimization. To enable executives to hold challenging discussions about what to do (and what not to do), we have outlined a generic framework for resilient portfolio management and tested it against the Media Company X portfolio.

Building a resilient portfolio consists of four stages: 1) evaluation of industry trends and drivers, 2) development of scenarios and implications, 3) portfolio assessment, and 4) strategy development and adjustment over time. A company may need to adapt its approach to consider the specific characteristics or environment

it operates in, while the emphasis of individual stages will vary by company. The four individual stages as noted in figure 07 each consist of four “default” steps that will be applicable in a wide range of portfolio contexts.

The presented approach is the outcome of a series of workshops involving scenario design experts from the Center for the Long View as well as portfolio strategy thought leaders within Monitor Deloitte.





Fig. 7 – Outline of the resilient portfolio strategy approach

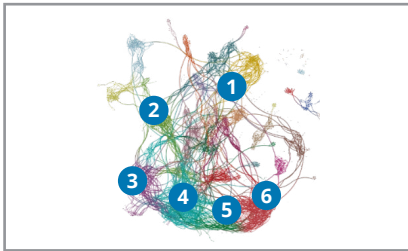


1) Focal question

What will the TV and video landscape look like by 2030?

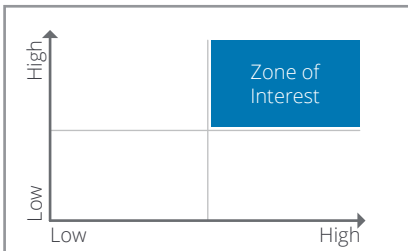
Determine the project scope and strategic direction

2) Driving forces



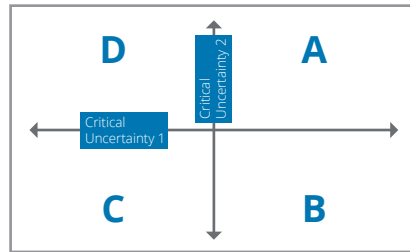
Identify drivers that have the potential to impact the future

3) Critical uncertainties



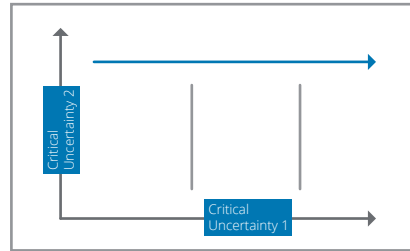
Prioritize and cluster drivers into critical uncertainties

4) Scenario framework



Combine critical uncertainties into a scenario frame

5) Scenario narratives



Define framework conditions for each scenario

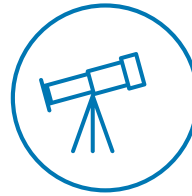
6) Scenario implications

Group \ Category	1	2	3
1			
2			
3			

Determine resulting implications and strategic responses

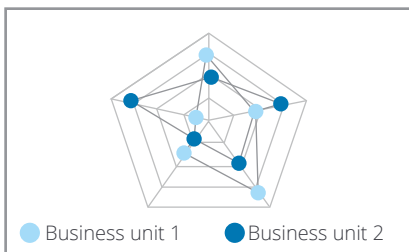


Portfolio assessment



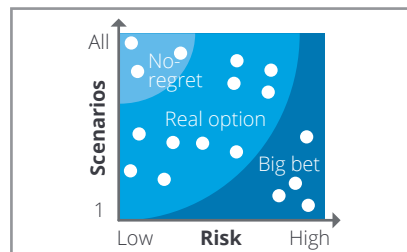
Strategy development and adjustment over time

7) Portfolio vulnerability



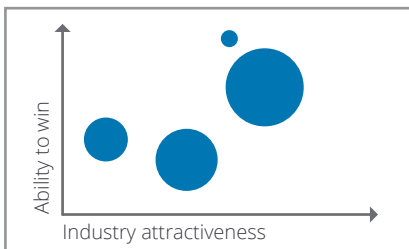
Determine dependence of business units on critical uncertainties

10) Strategic options



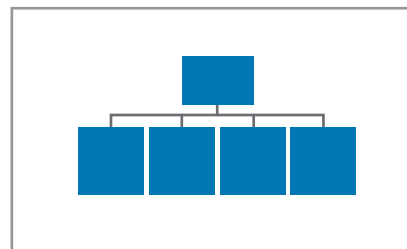
Derive strategic options, ranging from big bets to no-regret moves

8) Competitive positioning matrix



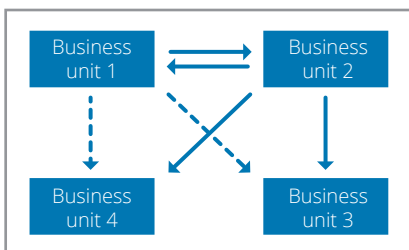
Assess industry attractiveness and ability to win as ROI proxy in each scenario

11) Future-proof portfolio



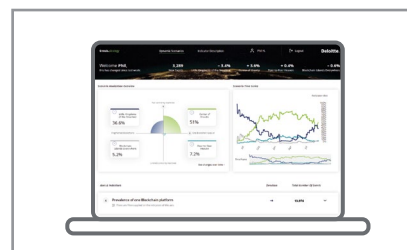
Determine resulting implications and strategic responses for portfolio

9) Strategic interplay analysis



For each scenario, test the spillover effects of the business units

12) Sensing & monitoring



Define indicators to monitor trend developments

Evaluation of industry trends and drivers

Underlying factors of market changes have to be analyzed in detail.



1) Focal question

The resilient portfolio approach starts with formulating a focal question determining the strategic direction. For some businesses, the focus may be their respective sub-sector and geography. In the context of a corporate portfolio, the focus may lie on the common denominator that links distinct units. Ultimately, the focal question needs to serve as a guiding principle on how to understand the dynamics shaping the future.

In the present case, we focused on the question, “What will the TV and video entertainment landscape look like by 2030?”, which addresses the core of Media Company X’s operations.

2) Driving forces

Disruptive forces can cause dramatic upheavals up until 2030. Drawing on traditional and A.I.-based research, expert interviews and extensive experience working with global TV and media companies, we have identified and analyzed the most impactful trends and driving forces that have arisen and will most likely continue to affect the TV and media landscape that Media Company X operates in. These trends can be divided into five categories:

- Social changes impacting the characteristics of consumer and consumption patterns
- Technological advancements
- Economic forces causing industry and market shifts
- Environmental forces
- Political dynamics and regulatory changes

Please see page 20 for an illustrative overview of recent key trends in the industry.

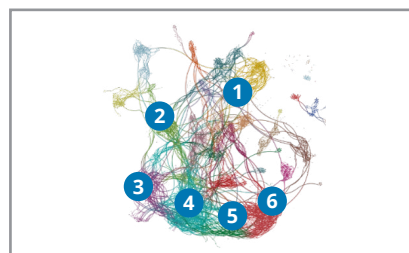
Fig. 8 – Evaluation of industry trends and drivers

1) Focal question



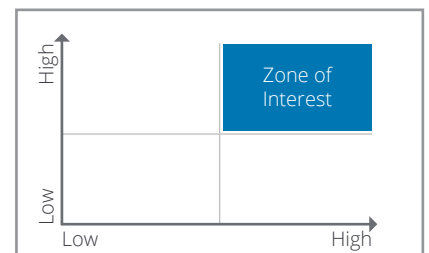
Determine the project scope and strategic direction

2) Driving forces



Identify drivers that have the potential to impact the future

3) Critical uncertainties



Prioritize and cluster drivers into critical uncertainties

Fig. 9 – Recent (newspaper) headlines covering key trends



Spotlight on selected driving forces



Piracy: Anti-piracy services market approaches USD 1 bn worldwide in 2018. Increasing service adoption bundled with premium content protection technology stacks is expected to reduce losses. However, revenue lost by global online TV and video services (excluding film entertainment) will amount to more than USD 37 bn in 2018.

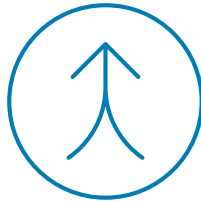


Average time spent with TV and media:

While the overall time with media has been increasing steadily during recent years, peaking at more than 7 hours a day, the time spent watching TV is expected to decrease as consumers shift towards digital media consumption.



Price of technological devices: Mobile devices have seen decreasing average prices. However, the proliferation of smartphones with bigger and edge-to-edge displays has caused consumers to buy products that are on average 20% more expensive than 2015—including the Apple iPhone X as one of the most expensive smartphones available.



Global media market consolidation:

In 1983, 50 corporations controlled the majority of news media in the USA. Since then, although new media formats have emerged, M&A activities have decreased the number of companies. Only five huge corporations now control most of the media industry in the U.S.

What is uncertainty?

In scenario development, uncertainty refers to the divergence of opinions regarding a driving factor's future outcome.

Example: While some experts believe that awareness of sustainability and health issues will induce greater self-direction of end-consumers, others are convinced that convenience will drive delegation of product selection to service providers. These divergent forecasts have resulted in a high level of uncertainty as they have the potential to tip the future in one direction or the other.

3) Critical uncertainties

To make sense of the identified driving forces, we asked experts to assess the impact of each driving force on the focal question as well as to predict their future development path. Mapping the answers of these questions—with the degree of uncertainty on one axis and the degree of impact on the other—yields a starting point for further analyses.

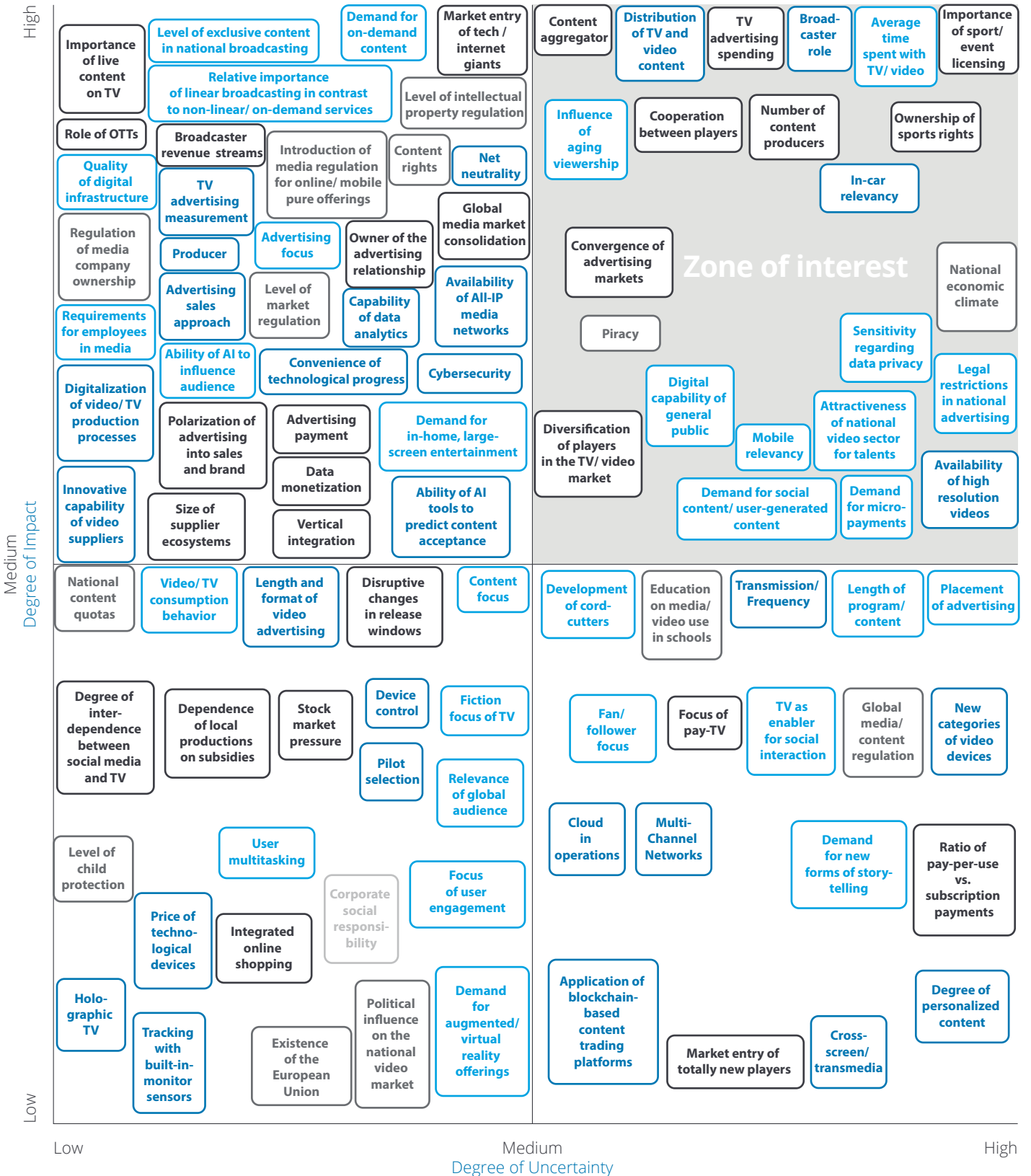
There is some level of consensus on how some highly impactful trends will evolve until 2030. As they exhibit a low level of uncertainty, they are in the upper left quadrant of the matrix. Regardless of how other trends will evolve, these elements can be considered predetermined and need to be prepared for in any case. We can thus develop a base case for 2030—a picture of what the TV & media landscape will probably look like in 2030.

To prepare for trends being highly uncertain but highly impactful (upper right quadrant, "Zone of interest"), we will develop a range of scenarios.

Exploring the unknown requires tolerating uncertainty.

Brian Greene

Fig. 10 – Impact-Uncertainty Matrix and Zone of Interest



Trends that media organizations need to prepare for: Base case for 2030



Digitalization will permeate content production, distribution, and recommendation functionalities. All-IP will be standard for distribution. Fiber infrastructure and 5G networks will enable flexible and mobile use of media offerings and innovative production processes. AI and analytics will promote smart content discovery.



Advertising will be highly individualized. Media advertising will adapt new formats and focus on personalized ads leveraging consumer data in order to create unique customer experiences. However, the extent of personalization will hinge on governmental regulation and consumers' willingness to share data.



Advertising and direct revenues will remain most relevant. Innovative offers such as demand-based pricing for content will not prevail. In addition, monetization of consumer data will be limited, as consumers show only a moderate willingness to pay with their data.



Traditional TV and non-linear content offerings will coexist. Video-on-demand will be popular amongst all consumer segments. At the same time, live content such as sports events will assert the relevance of traditional, linear TV.



Regulation of the media industry will be less restrictive. A lower level of regulation for online and mobile offerings will reduce regulatory pressure on all players, especially traditional media companies. This development will foster cross-industry cooperation and concentration of media ownership.



New and incumbent players will reposition along the value chain. The industry will be partly consolidated. M&A activities and alliances are used to strengthen content quality and distribution capabilities. Many players will integrate vertically, especially broadcasters. Over-the-top content providers (OTTs) will play a larger role than pure tech players.

“The entrepreneur always searches for change, responds to it, and exploits it as an opportunity”

Peter Drucker

Development of scenarios and implications

Based on a sound understanding of the trends, varying future states and their implications have to be.



As the next step towards a resilient portfolio, a scenario framework is developed. The combination of two independent critical uncertainty clusters will yield a matrix with four diverging scenarios. In most cases, there will be more than one potential scenario framework and those frameworks are selected based on criteria of a sound scenario framework (plausible, diverging, balanced).

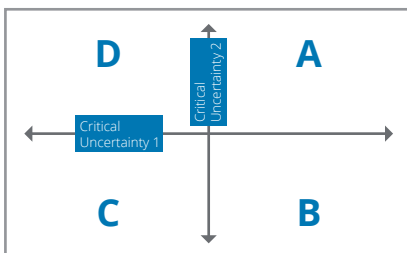
Then scenario developers develop coherent narratives for each quadrant within the

developed matrix. The objective of this step is to gain a thorough understanding of the root causes of the developments and atmospheres in each scenario.

Based on a detailed understanding of potential future states, implications are derived regarding the conditions under which the organization would need to operate, while options are defined as the range of actions that an organization can take under the scenario conditions.

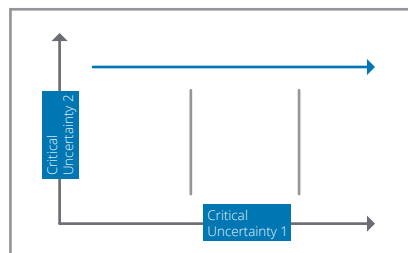
Fig. 11 – Phase II – Development of scenarios and implications

4) Scenario framework



Combine critical uncertainties into a scenario frame

5) Scenario narratives



Define framework conditions for each scenario

6) Scenario implications

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2			
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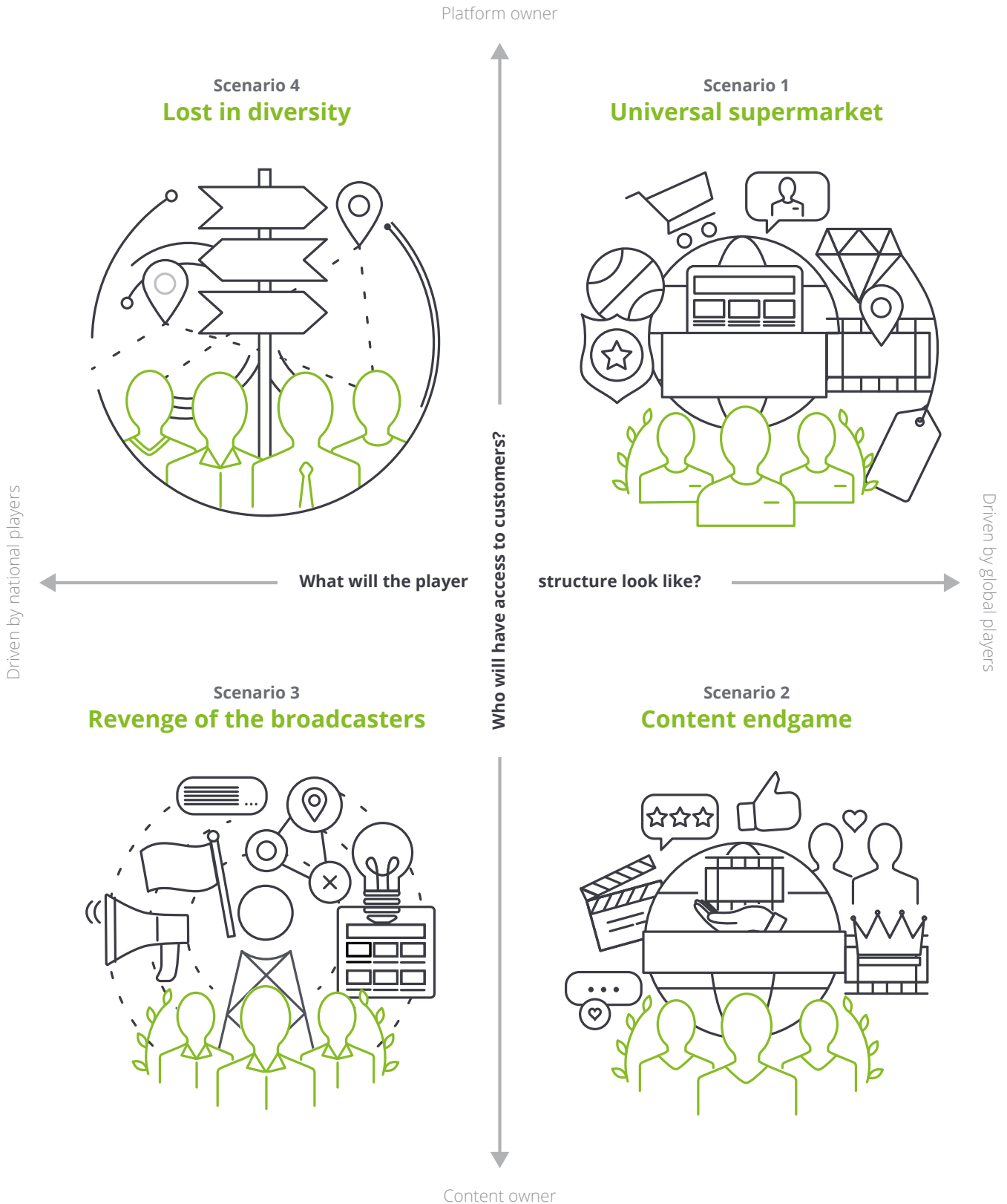
Determine resulting implications and strategic responses

4) Scenario framework

The driving forces that exhibit both a high degree of uncertainty and impact—named critical uncertainties—are subsequently tested by measuring their interdependencies and relevance to one another, and clustered according to their degree

of relatedness. The combination of two critical uncertainty clusters yields a matrix with four divergent scenarios. The two axes address two independent questions: “What will the player structure look like?” and “Who will have (direct) access to consumers?”

Fig. 12 – Scenario Matrix



Source: Deloitte (2018): Zukunftsszenarien für die TV- und Video-Branche 2030; <https://www2.deloitte.com/de/de/pages/technology-media-and-telecommunications/articles/zukunftsszenarien-tv-video-branche.html>

X-Axis:
“What will the player structure look like?”

The axis reflects a changing TV and video provider landscape. It illustrates potential tendencies towards internationalization, with global media players pushing national broadcasters and content producers to the fringes. Additionally, it considers large digital platform companies entering further parts of the value chain.

Example:

In a world driven by national players, nationalism is on the rise in media and entertainment.

A world driven by global players implies an assertion of globalization.

Y-Axis:
“Who will have access to customers?”

The axis refers to the question of whether broadcasters, digital platform companies, or content producers will be able to engage in a direct consumer relationship. The access to consumers has a massive impact on monetization options, via either innovative advertising or paid content models.

Example:

In a platform owner world, consumers prefer a multitude of choice to content quality.

In a content owner world, media content shifts towards consumption that is more deliberate.

“If there's one thing that's certain in business, it's uncertainty.”

Stephen Covey

5) Scenario narratives

Scenario 1

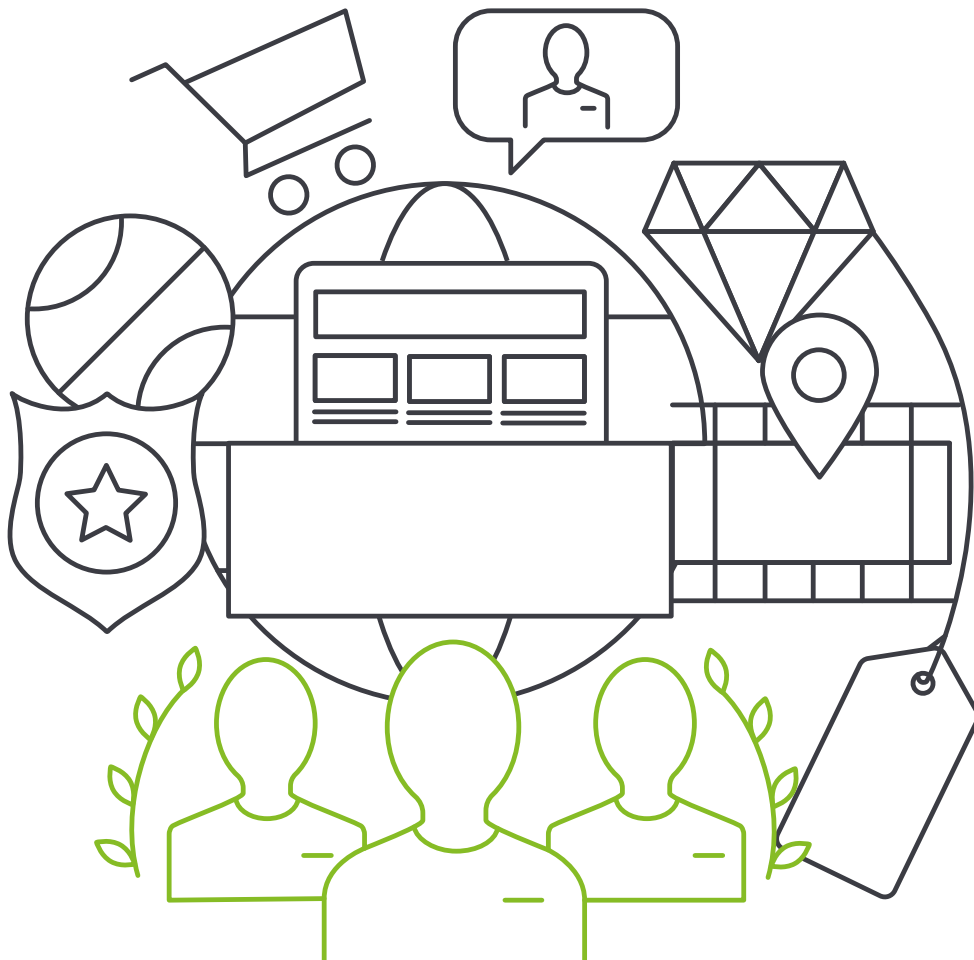
Universal supermarket

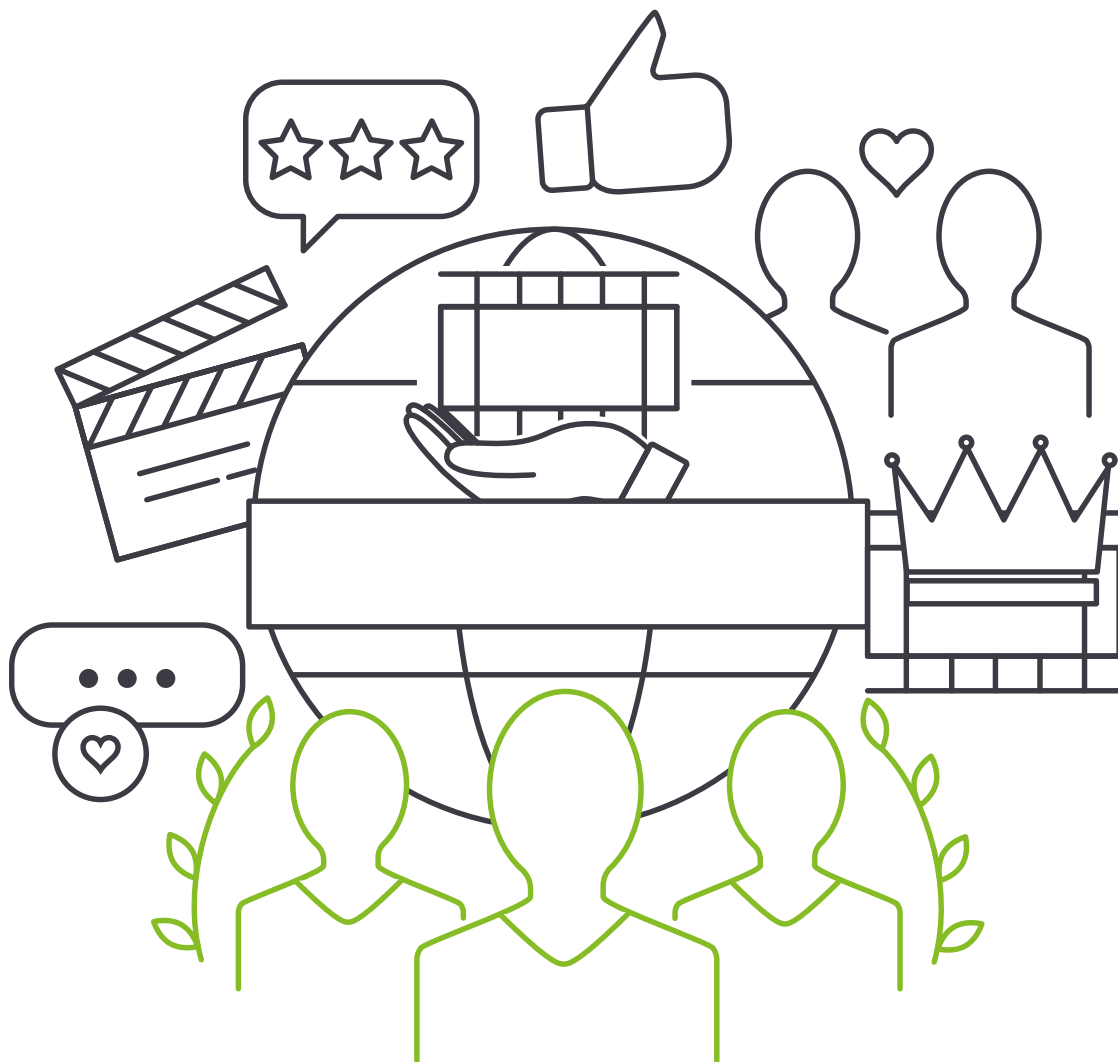
A wave of deregulation within the media and entertainment has ushered in an era of content and provider plurality. Customer confusion stemming from this “information overload” quickly evolved into frustration. Subsequently, global digital platform companies asserted their role within the ecosystem by providing smart customer interfaces and selection engines supported by artificial intelligence. They occupy the entire value chain and have taken over the leading role in aggregation and distribution of media and entertainment content.

The financial capabilities of those players allowed them to also acquire exclusive sports rights and produce global blockbusters, displacing comparatively smaller players such as broadcasters and content creators from important stages of the value chain. Thus, like supermarkets, each of the platform companies offers an extensive range of global and national content, differentiated by some exclusive productions and sports rights.

Globally produced content is king. Therefore, national broadcasters have evolved into pure creators of niche content. Although the market for national content

has decreased significantly, consumer demand for relevant content such as news or local(ized) formats has saved their existence. Auxiliary entertainment offerings such as theme parks and merchandise from TV and video products suffer from digital competition. Digital entertainment fulfills customer expectations regarding convenience; AR- and VR-based offerings that provide personalized experiences thrive.





Scenario 2 Content endgame

In this scenario, content is the main differentiating factor, while distribution, search, and recommendation are considered a commodity. Customers value strong global brands and are willing to pay a premium to bring their favorite characters into reality. Related theme parks and merchandise are popular in a world that not only wants to consume but experience entertainment. Thus, large global content owners are the winners of this transition.

Content owners have integrated vertically and started to withdraw content from digital

platform companies to distribute via their channels, bypassing platforms and establishing direct customer relationships. They leverage strong program brands and target a global audience with costly blockbuster productions and merchandise.

Smaller producers have been pushed out of the market. The variety of content has hence decreased, but the quality of global productions has reached new dimensions. Local broadcasters focus solely on creating strong local formats. They are supplying to big global content owners and benefit from the protection of national regulators.

On the other hand, digital platform companies have retreated to become pure distribution channels, focused purely on technical delivery. Their business model has changed fundamentally, since consumers are no longer paying for a specific platform, but directly for content. Apart from advertising, freemium services have become a relevant source of revenue for digital platform companies.

Scenario 3
Revenge of the broadcasters

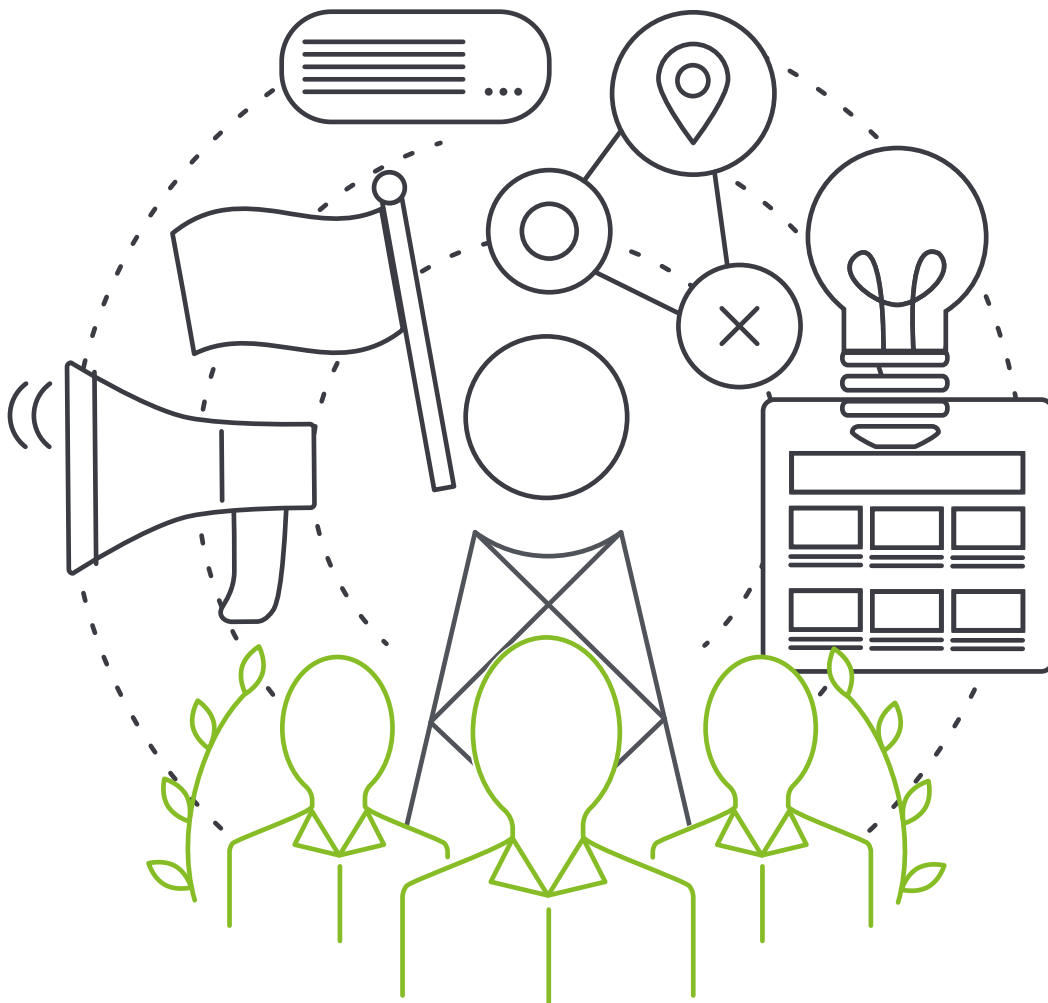
Regulatory measures to counteract the dominance of digital media companies and the revival of national cultures provided fertile soil for national broadcasters.

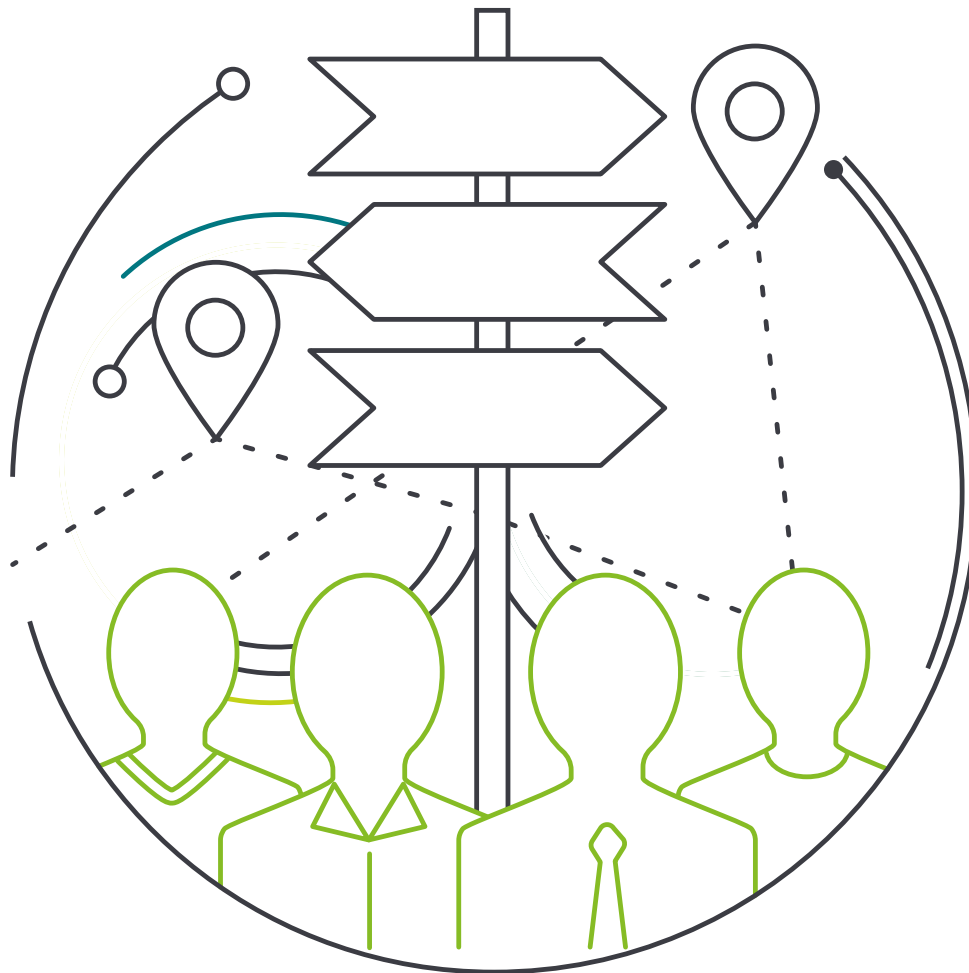
By providing on-demand content and additional services, they have built close customer relationships. Valuable customer insights are used to refine and create offerings. The collected user data would be an effective enabler for fully personal-

ized advertisement, however, advertising is part of a strong regulatory framework with strict data privacy rules. Still, they have accomplished their digital transformation and evolved into digital platforms, thereby securing a strong position in the ecosystem. Alliances between network operators and broadcasters resulted in an efficient distribution of content via high-performance platforms.

While national broadcasters focus on local quality content, the few remaining global

digital platform companies supply global productions and blockbusters. Similarly, entertainment-related tourism is focusing on domestic and national landmark culture and merchandise is mainly bought from national brands.





Scenario 4 Lost in diversity

In this scenario, regulatory protection of local content and media companies is strong, however, customers tend to prefer quantity over quality. The lower relative willingness to pay for global blockbusters and related services has been a death sentence to the dominance of global content owners. Instead, the market has evolved into a diverse ecosystem as consumers are served by numerous platforms. A great richness of content and a steady turnover of players characterize this market.

While digital platform companies maintain direct customer relationships, telecommunications providers, broadcasters, and content producers have also successfully created their platforms. Digital platform companies contribute global formats and provide relevant local content via alliances with local producers. The role of broadcasters has thus been reduced to content providers.

Because of the plurality of content and providers in this scenario, structuring and orchestrating the different platforms has turned into a viable business model.

Therefore, national network operators act as super-aggregators, providing access to content and offering guidance across platforms. They cater their offering to the local preferences of their viewership.

6) Strategic implications

Fig. 13 – Strategic implications – Scenario 1

Universal supermarkets

A few global digital platform companies (DPCs) control the entire TV and video market by entering all steps along the value chain



Global DPCs

- Control the entire TV and Video market
- Own direct consumer relationship
- Offer extensive range of global and national content (supermarket approach)

Content

- The broad content variety covers different cultural tastes
- High-quality local content is provided
- DPCs' content offerings differ in exclusive content production and sports rights

Market Player

- Traditional broadcasters have disappeared or evolved into pure creators of national content
- Advertising agencies and traders have disappeared

Consumer

- Consumer were first confused then frustrated about variety of content and content providers
- DPCs used technical skills to offer customers smart selection and recommendations based on A.I.

Market Conditions

- Availability of and content distribution over uniform All-IP networks
- Regulators do not control or monitor DPCs significantly

Fig. 14 – Strategic implications – Scenario 2

Content Endgame

Large global content owners are the winners from the market transition and have entered all steps along the value chain



Global Content Owner

- Withdraw and withhold content from DPCs and distribute it via own channels
- Have established direct consumer relationship
- Communicate directly with advertisers

Content

- Content is king
- Variety of content has decreased, but quality has reached all-time high
- Costly blockbuster productions provided by large global content owners

Market Player

- Smaller content producers have disappeared
- Broadcasters have focused on creation of strong local formats
- DPCs act only as pure distributors
- Advertising partnerships established

Consumer

- Consumers pay directly for content instead of for platform access
- Consumers consider content the main differentiating factor among market players

Market Conditions

- Freemium service as relevant revenue source for DPCs
- Technology to distribute content is considered a commodity
- Broadcasters are protected by national regulators

Fig. 15 – Strategic implications – Scenario 3

Revenge of the Broadcasters

National broadcasters have successfully accomplished their digital transformation and secured a strong position in the TV and video ecosystem



National Broadcasters

- Have evolved into digital platforms
- Deliver on-demand content
- Have developed excellent digital capabilities; own access to customer data

Content

- Great richness of content due to coexistence of national broadcasters and global DPCs
- Efficient distribution of content via high-performance platforms

Market Player

- DPCs supply global productions and blockbusters
- Technological alliances between All-IP network providers and broadcasters
- Advertising agencies have remained in the market

Consumer

- Consumer were first confused then frustrated about variety of content and content providers
- DPCs used technical skills to offer customers smart selection and recommendation based on A.I.

Market Conditions

- Limited personalized advertising due to strong regulatory framework/data privacy rules
- Strong media regulation on a national level

Fig. 16 – Strategic implications – Scenario 4

Lost in Diversity

The TV and video market has evolved into a diverse ecosystem with no dominant players where everyone does everything



No dominant player

- DPCs have established direct consumer relationships
- Content owners, broadcasters and All-IP network providers have created own distribution platforms
- All-IP network providers act as super-aggregators

Content

- Great richness of content
- Provision of global formats by DPCs

Market Player

- Steady turnover of market players
- A high level of partnerships between global and local players
- Alliances between DPCs and local content producers
- High relevance of advertising agencies

Consumer

- Consumers are served by numerous distribution platforms
- Only interested in (national) content
- See All-IP network providers as guides across platforms
- Low loyalty to platforms or brands

Market Conditions

- Vivid and dynamic market
- Clear distinction between content production and distribution
- Regulators focus on preservation of local content and media companies

Portfolio Assessment

A corporate portfolio must be challenged in light of the developed scenarios and checked for its future-readiness.



Ultimately, the scenarios and resulting implications serve as the basis for stress testing the future portfolio performance and resilience.

Firstly, portfolio vulnerability describes how strongly individual businesses will be impacted by changing external factors. Knowing how strongly the portfolio reacts to a shift in critical industry trends is a crucial first step in evaluating portfolio performance across different scenarios. A resilient portfolio will exhibit a balanced vulnerability across business units and critical uncertainties.

The insights generated in this step directly feed into a competitive positioning matrix for all business units for each scenario, i.e., how strongly each business unit will be affected in its competitive positioning. The result of this step is four scenario-specific matrices that serve as a starting point for deriving portfolio imperatives (invest or

divest). Considering all four scenarios will reveal what parts of the portfolio contribute to its resilience.

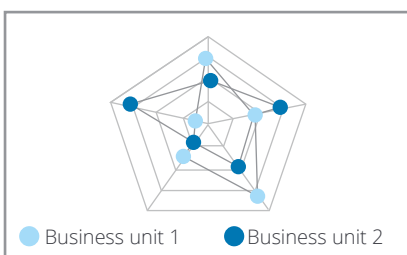
However, for a corporate portfolio to justify its existence, it must also exceed its stand-alone value generation capabilities ($1+1>2$). In other words, a resilient portfolio creates, supports, and reinforces synergies across scenarios.

Combining the insights generated from the company's competitive positioning and its strategic positioning enables us to analyze the portfolio and synthesize options across scenarios. This process is called "wind-tunneling".

The combination of all three process steps answers the question of whether the portfolio as a whole is set up to survive scenarios and what components need to be adjusted to create value in the future.

Fig. 17 – Portfolio assessment

7) Portfolio vulnerability



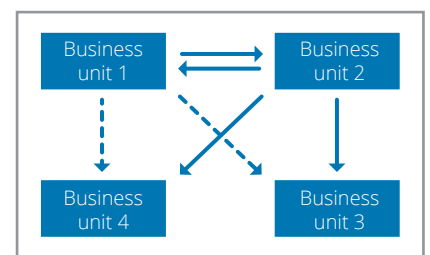
Determine dependence of business units on critical uncertainties

8) Competitive positioning matrix



Assess industry attractiveness and ability to win as ROI proxy in each scenario

9) Strategic interplay analysis



For each scenario, test the spillover effects of the business units

7) Portfolio vulnerability

Regarding the possible scenarios, it is crucial to examine the vulnerability of each of Media Company X's business segments to the evolution of critical uncertainties. To detect underlying dependencies within the company's portfolio, we have evaluated which impact the emergence of each critical uncertainty has on each business unit (see figure 18):

Television offerings is especially dependent on consumption patterns. The average time spent with TV and video, for example, is a key driver of performance. As such, it is one of the key KPIs that relates various revenue streams, including advertising. Additionally, the market development and competitive behavior—such as the role of content aggregators,

cooperation between players and number of content producers—affect the business's market positioning and power.

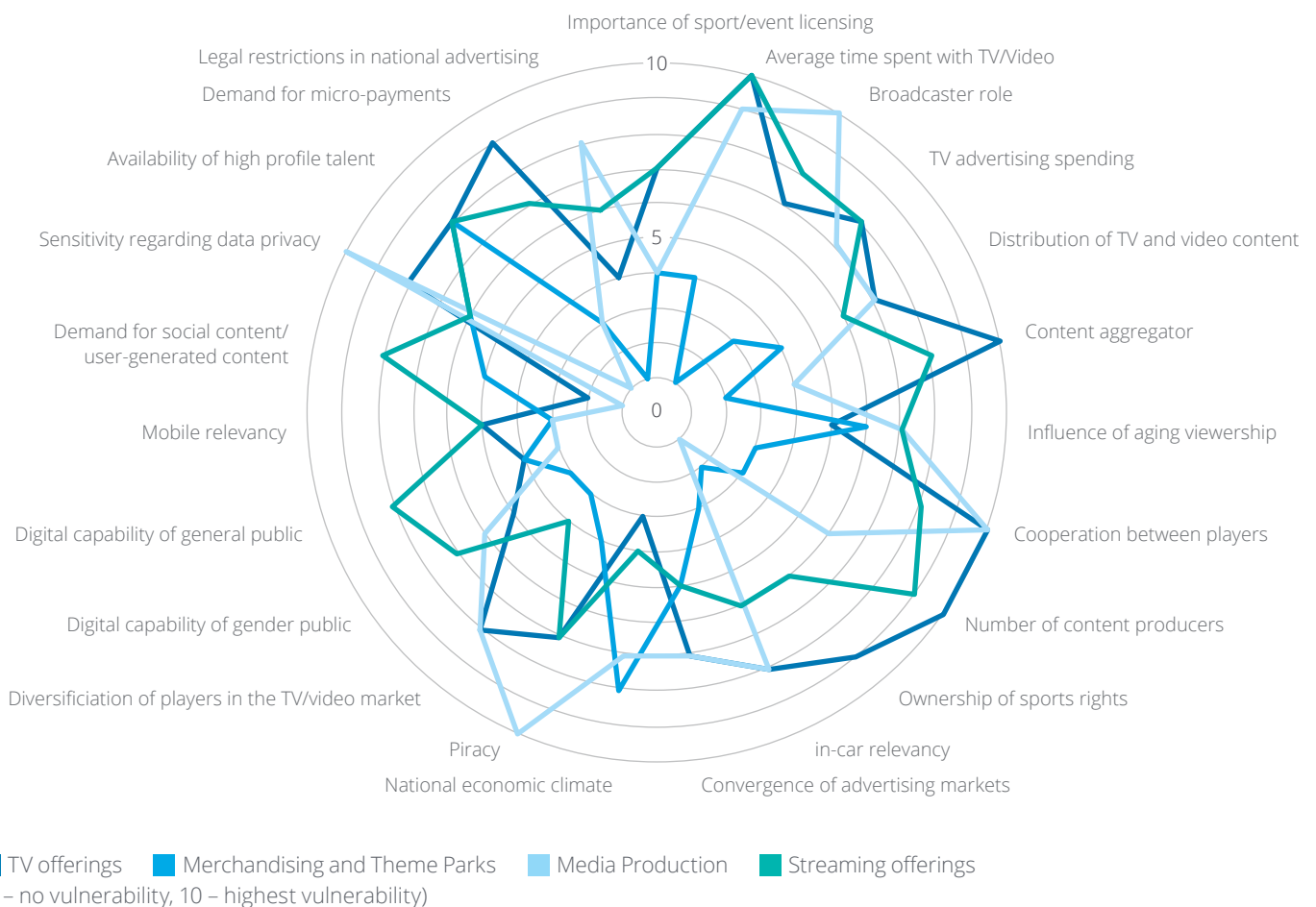
Merchandising and Theme Parks are not directly dependent on the TV market, yet need strong brands to leverage. By contrast, the economic climate has a strong impact on the demand for these products and services. Families are more likely to alter vacation plans than cancel their cable TV network, as seen in the decreasing visitor numbers during the financial crisis in 2008/2009.

Media Production is affected by the broadcaster role. Success also depends on the level of fragmentation of the production value chain. Although the company is in a strong position to leverage its core

capabilities in character-development and elaborate film productions, the proliferation of new alliances and level of cooperation among players will greatly influence the company's ability to win. Furthermore, the occurrence of piracy influences the revenue from TV and video services. Continuous development of new content requires the employment and retention of talent.

The Streaming Offerings segment is highly dependent on people's TV usage as well as the different revenue streams in the industry and the competitive landscape. All these aspects shape consumers' willingness to pay and the company's market power.

Fig. 18 – Illustrative portfolio vulnerability analysis of the Media Company X's portfolio



Source: Monitor Deloitte The Crux of Corporate Strategy—Building an Advantaged Portfolio

Overall, two main insights emerge from this analysis:

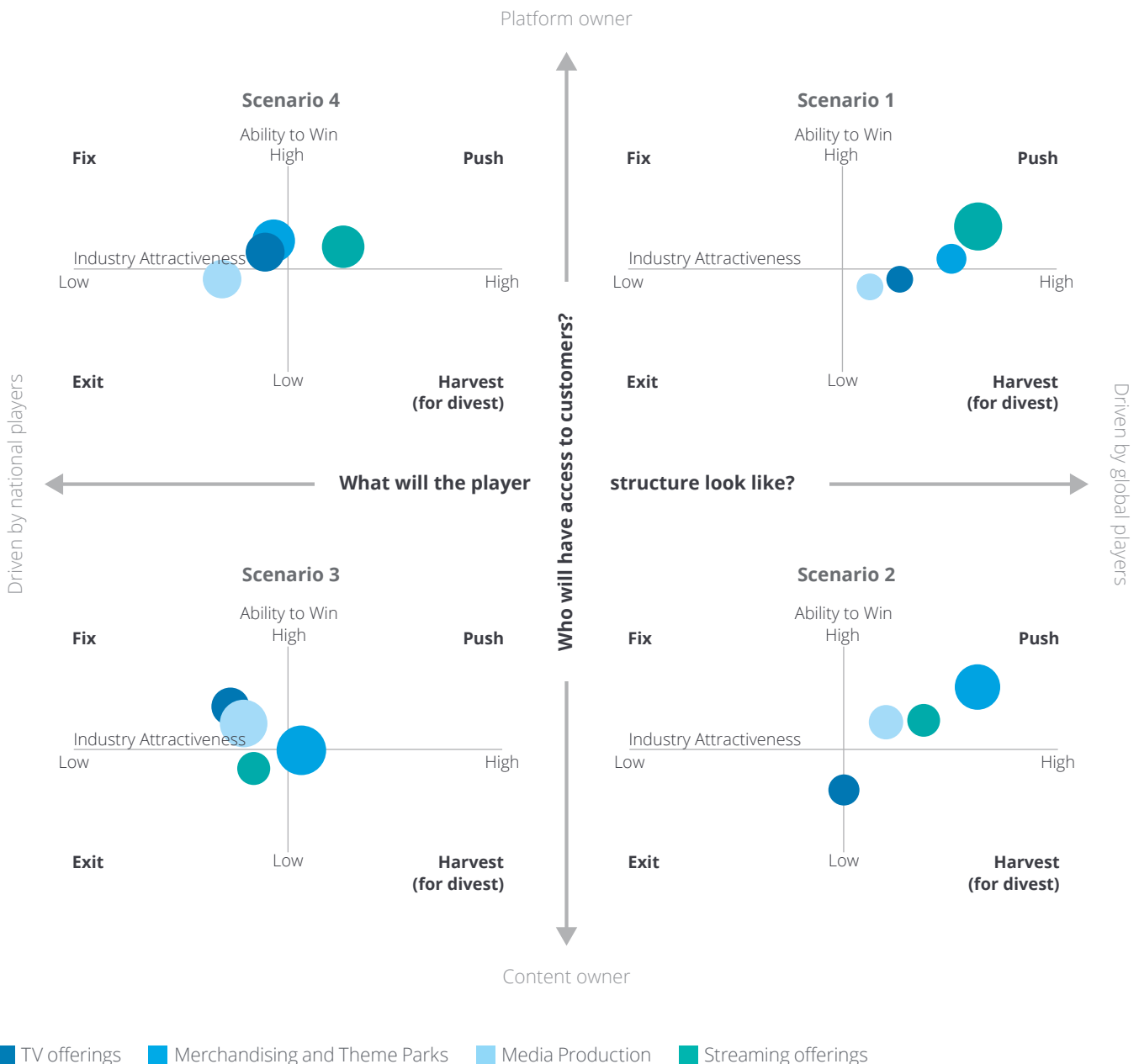
1. While Television Offering and Streaming Offerings are highly dependent on how critical uncertainties evolve in the future, Media Production stands out as a robust pillar within the company's portfolio. Merchandising and Theme Parks, in contrast, rely heavily on the popularity of Media Company X's (animated) characters.

2. The biggest threats and opportunities arise from an increasingly diverse media ecosystem—ultimately from the time spent consuming TV and other media content. Piracy and shortage of talent pose additional threats to the sustainability of the company's portfolio.

8. Competitive positioning matrix

Based on the insights of the portfolio vulnerability assessment and a detailed scenario narrative combining the different driving forces, we can assess the competitive positioning of Media Company X's portfolio components. The objective of this process is to understand how stand-alone businesses will perform in different scenarios.

Fig. 19 – Overview competitive positioning matrix (illustrative)



Scenario 1: Universal supermarket

Television Offerings is acting in a relatively unattractive market as content is primarily distributed in all-IP and mainly online. Hence, new players have entered the arena intensifying competition and driving down profit margins. Even though market shares are substantially at risk, Media Company X as a global player can compensate for the loss in overall market attractiveness thanks to established brands and scalable operations.

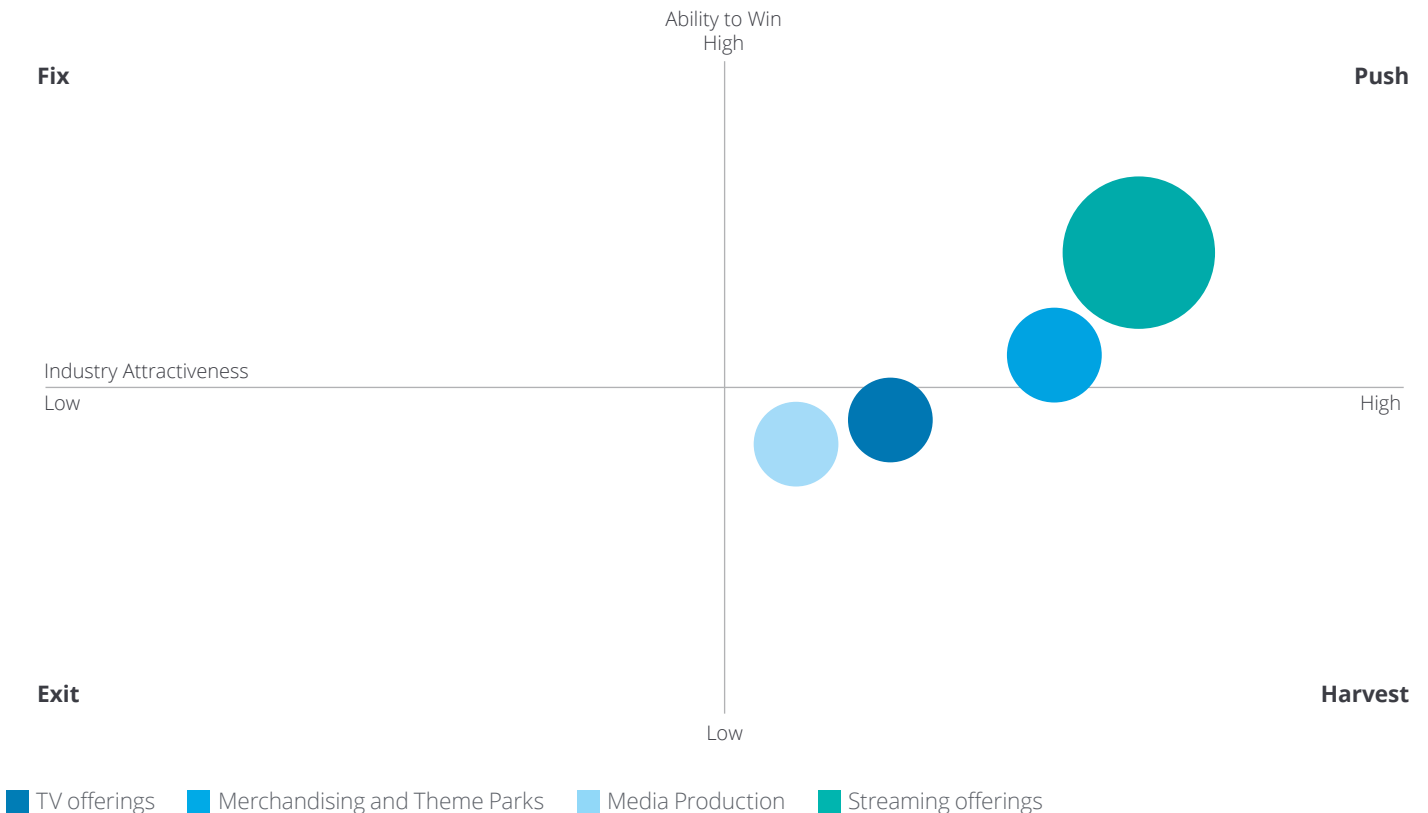
The Merchandising and Theme

Park unit operates in a market with low attractiveness, as people rather prefer digital content. However, this offering is a welcome opportunity to experience the brand to the fullest, functioning as an add-on to increase the overall brand attractiveness.

The Media Production unit is well equipped to over-proportionally benefit from advantageous market conditions, as content and global brands are highly important and Media Company X has a strong role in delivering innovative formats and exploiting established brands and products. This is an important differentiator among the global competition. Consequently, the company's relative profitability is likely to increase compared to other market players.

The Streaming Offerings segment is highly unattractive for Media Company X. Offering its own streaming channels is not profitable since the necessary scale cannot be reached. With its good content, Media Company X can position its content on other global platforms.

Fig. 20 – Illustrative competitive positioning matrix – Scenario 1



Source: Monitor Deloitte analysis

Scenario 2: Content Endgame

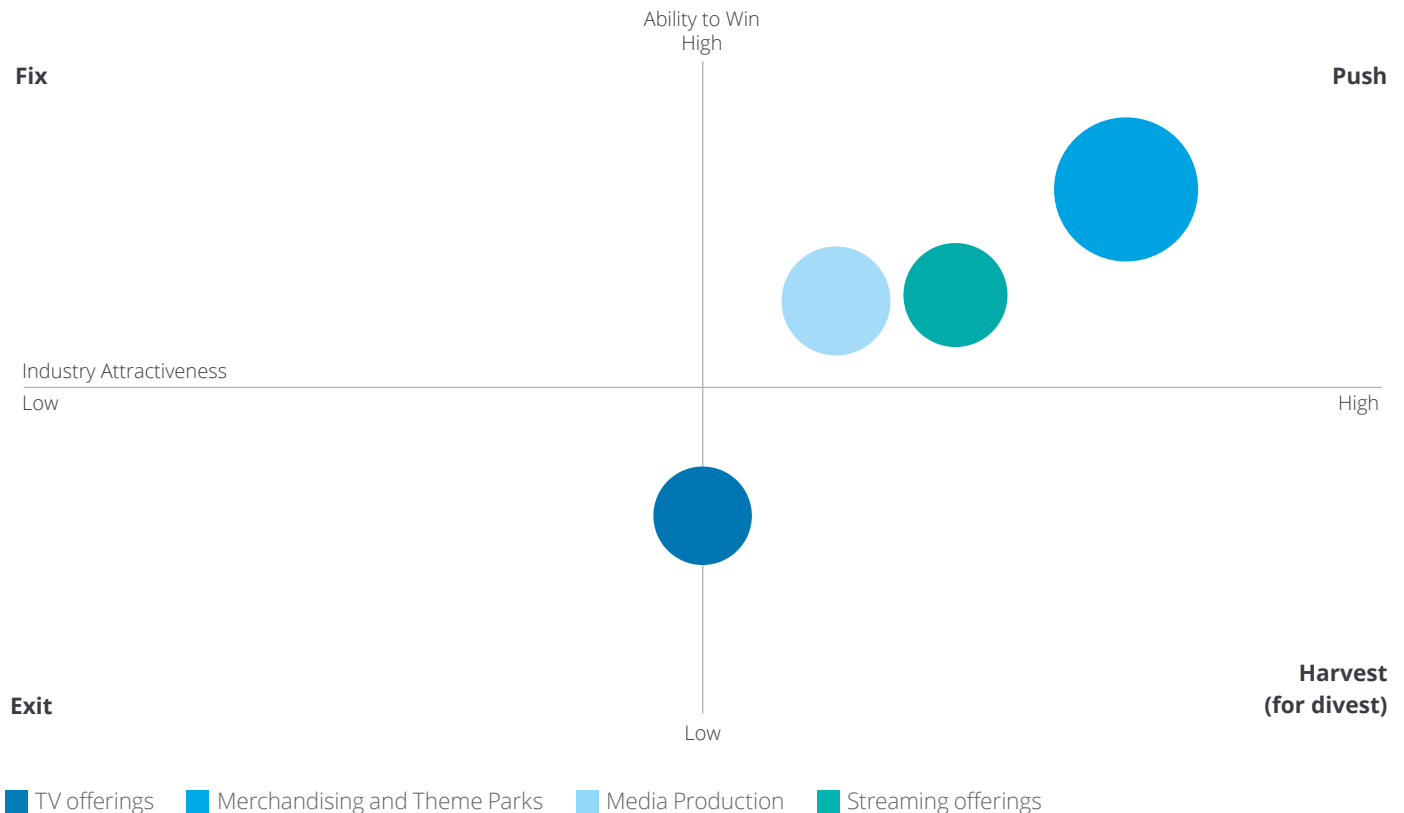
Television Offerings' market is in a steady-state without any growth opportunities as technology and distribution are seen as a commodity. Media networks have become merely the pipeline of studio entertainment and its content. Competitive intensity has also increased with the emergence of local broadcasters. In this market, Media Company X can secure its overall market share without its business being sustainable and innovative.

With its strong and innovative content, the company's **Merchandising and Theme Parks** unit can leverage the overall market growth to expand its market presence leading to higher market shares. The company can push smaller providers out of the market. Its profitability relative to its competitors remains constant. Here Media Company X benefits from attractive market conditions with growing volumes and profitability.

Media Production's revenue surges to new highs and further growth is very likely. New regulation has raised entry barriers, which has led to a decrease in competitive intensity making it a very attractive market for players already present. Media Company X is such a player benefitting from its strong content and innovation capability as well as allowing it to increase its market share. With fewer players in the market, the company's relative profitability rises noticeably.

Its own **Streaming Offerings** become far more attractive than today. This is mainly due to substantial entry barriers decreasing competitive intensity while the overall market size is increasing. With its scalable global assets, Media Company X can use this momentum to increase market share noticeably, improve profitability and foster the sustainability of its business.

Fig. 21 – Illustrative competitive positioning matrix – Scenario 2



Source: Monitor Deloitte analysis

Scenario 3: Revenge of the broadcasters

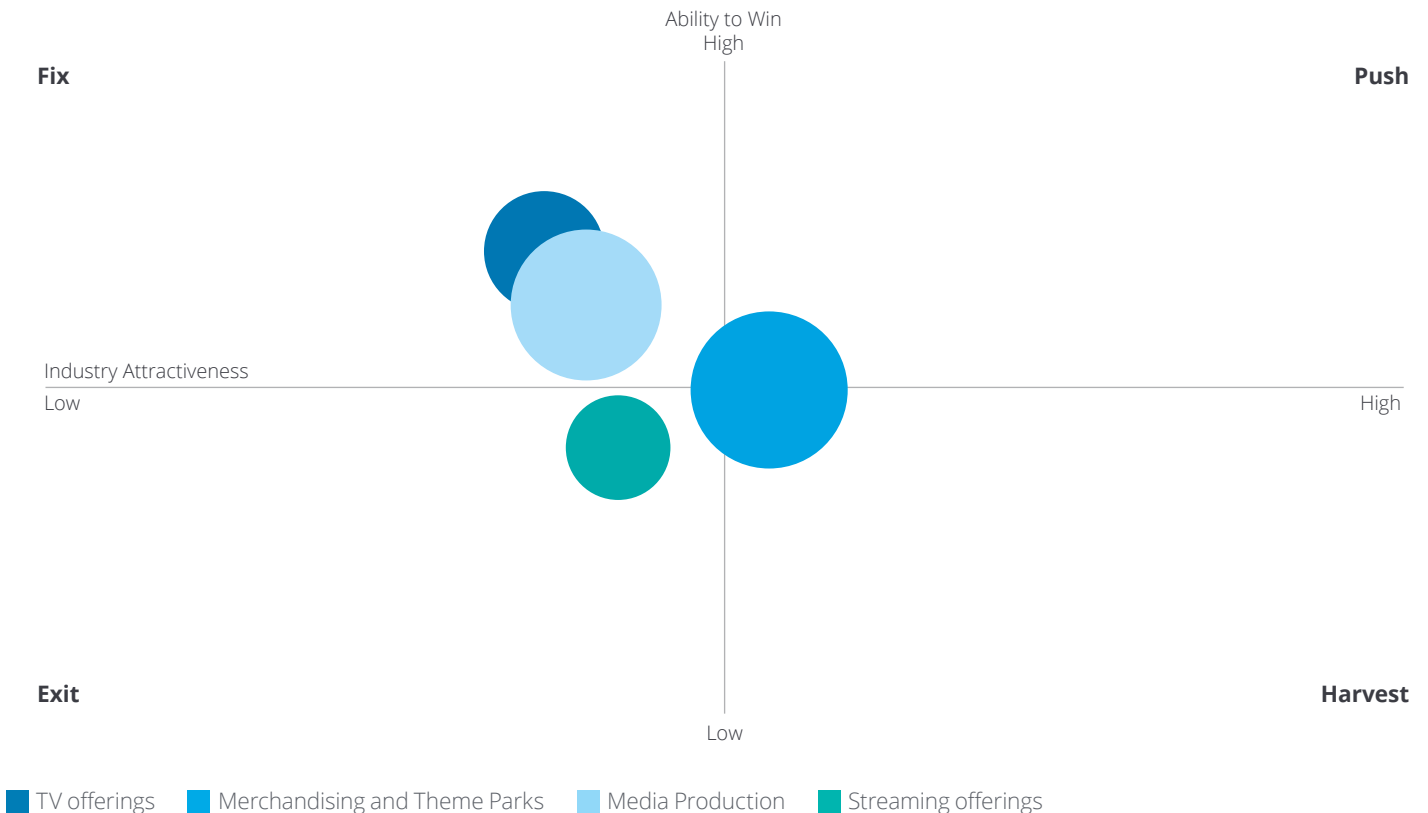
The market for **Television Offerings** is experiencing a substantial shift in power. As national broadcasters have accomplished their digital transformation and secured a strong position in the ecosystem, big global players, such as Media Company X, have been losing market share. However, this new competition has promoted overall market size and growth. The company's current business model is not sustainable in the long run in this market environment.

The market for **Merchandising and Theme Parks** has increased in volume. However, market growth is expected to decline overall because of decreasing volumes in content. Due to its strong brand and content, Media Company X can remain relevant and use this unit as a vehicle to increase brand loyalty.

The **Media Production** segment is under threat. Since broadcasters have established direct customer relationships and deliver on-demand content, volumes for content production have decreased, while competition has increased (despite new market entry barriers). However, players with strong global brands, like Media Company X, can maintain their position since consumers demand their content.

The **Streaming Offerings** segment is suffering from a sharp slowdown in overall market growth affecting market size as well as profitability. Media Company X can use its innovation capability to offset these negative trends and stabilize its business.

Fig. 22 – Illustrative competitive positioning matrix – Scenario 3



Source: Monitor Deloitte analysis

Scenario 4: Lost in diversity

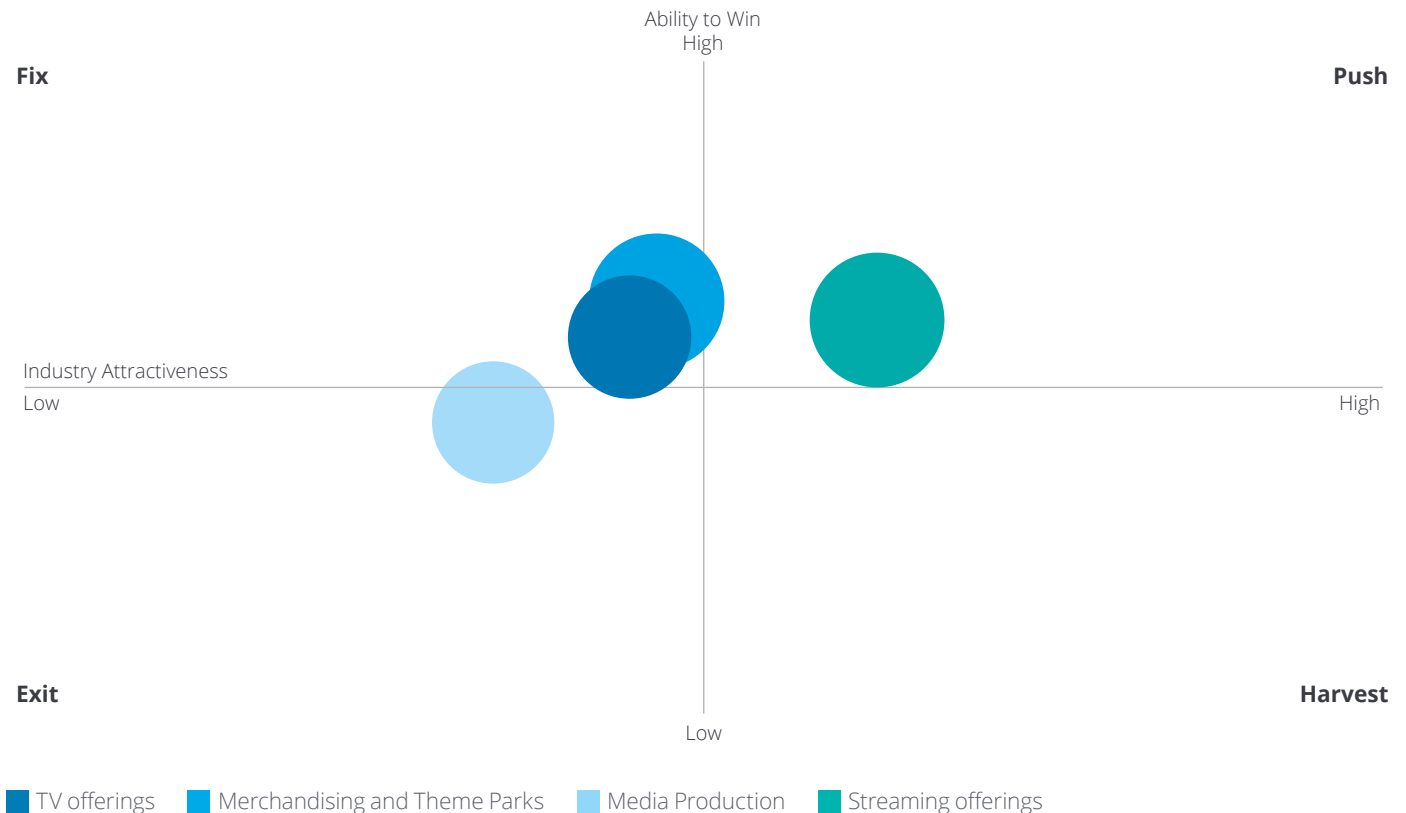
The traditional **Television Offerings'** market is torn between diverse offerings. Richness in content and fierce competition, as well as a strong appetite for national content, prevent any benefits from a global scale. Media Company X is not able to leverage its strength in production and distribution.

Global **Merchandising and Theme Parks** offerings are less in demand today due to fragmentation and an increasingly local focus. The overall leisure market has lost some of its euphoria, however, local offerings are still in demand. In this market, Media Company X is expected to suffer losses in terms of market share and relative profitability.

For the **Media Production** market, overall volume and growth projections are slightly increasing. The market, however, is highly fragmented, as each national broadcaster is demanding local and global content. As a global player with a strong brand, Media Company X is well-positioned not to become a white-label producer for national content. However, it has to accept losses in relative profitability to satisfy the fragmented demand situation.

In the **Streaming Offerings** segment, the company is expected to see an overall increase in market volume and growth as digital platforms increasingly contribute global formats. Media Company X benefits here from its innovative services and well-established products and brands as well as the ability to scale its business. However, increased competitive intensity is leading to decreasing profitability.

Fig. 23 – Illustrative competitive positioning matrix – Scenario 4



Source: Monitor Deloitte analysis

Summary

Comparing these matrices across the scenarios has implications for each of Media Company X's businesses. We can derive key insights as to how the individual parts will perform in the future:

The success of Media Company X's **Television Offerings** strongly depends on whether national or international players will dominate the market. Thus, the broadcasting unit requires a structure along with national and international content to quickly scale investments in national content if a shift towards a predominance of national players can be observed. Furthermore, the shift in distribution technology and the ability to adapt quickly are decisive for success.

To enhance its brands, characters, and franchises, Media Company X needs to invest in **Merchandising and Theme Parks**. The unit's attractiveness is enhancing the overall customer pull-effect. However, the unit is also dependent on strong brands and attractive content, leading to a vital interplay.

Media Production is a key differentiator on the market. Attractive content and strong brands lead to a pull-effect from consumers, regardless of the distribution technology and provider. Therefore media production requires strong investment to remain relevant, across all scenarios.

While the other products show strong resilience across scenarios, Media Company X's **Streaming Offerings** is highly dependent on the player structure. Key success factors are the ability to have direct interaction with customers and leverage scale.

Fig. 24 – Summary of portfolio recommendations

	Scenario 1 – Universal super- market	Scenario 2 – Content endgame	Scenario 3 – Revenge of the broadcasters	Scenario 4 – Lost in diversity	A priori recommendation
TV Offerings	Harvest	Divest/Harvest	Divest/Harvest	Divest/Harvest	Divest/Harvest
Media Production	Push	Push	Push	Push/Fix	Push
Merchandising and Theme Parks	Push/Harvest	Push	Push	Harvest	Push
Streaming Offerings	Divest	Push	Harvest	Push	Push/Harvest

Source: Monitor Deloitte analysis

9) Strategic interplay analysis

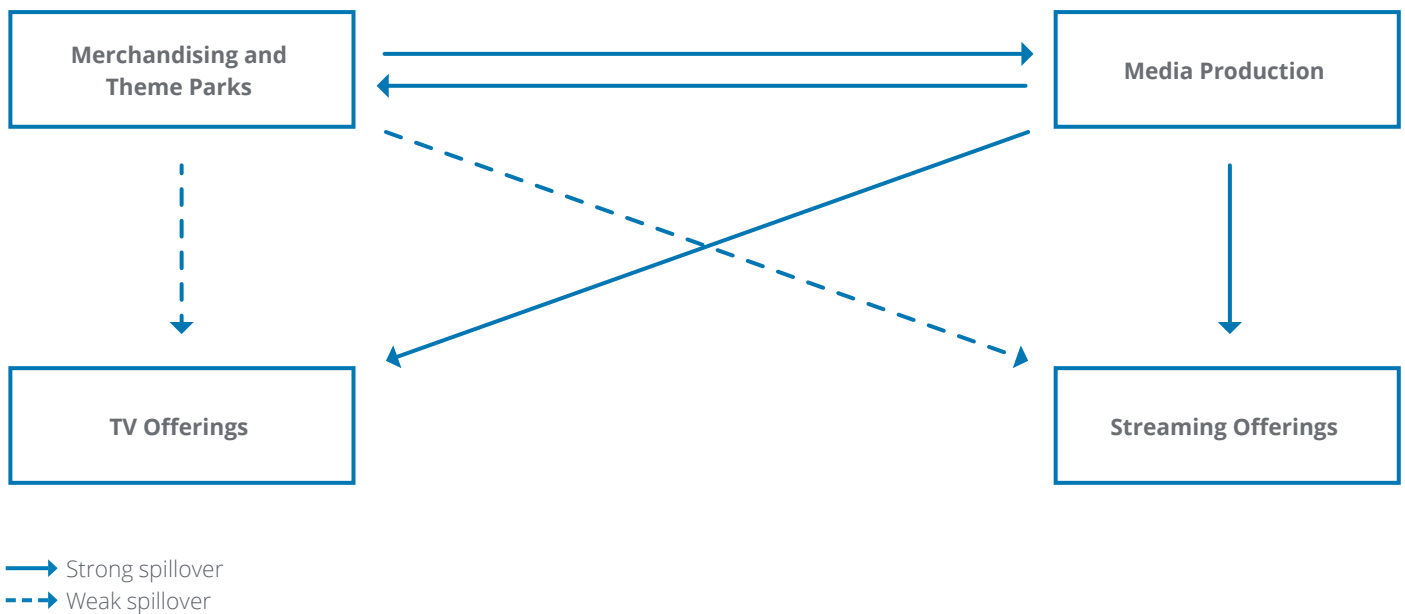
Assessing the competitiveness of single business units on a stand-alone basis, however, is not the key to success. On the contrary, it is essential to consider interdependencies and synergies among business units.

Our aim here is to analyze the overall corporate portfolio and the interdependencies and/or synergies among all business units. Depending on the complexity of the portfolio, different approaches can be used. In a portfolio with only a handful of business units, the business unit interplay approach shown below can be used.

Looking at the example below, Merchandising and Theme Parks by themselves might not be a value-adding business to be active in. However, there are substantial spillover effects with the Media Production driving customers or viewers to Media Company X's content. Thus, to assess the portfolio's performance in a given scenario, it is necessary to consider how viable its overall strategic interplay is. Additionally, if the Television Offerings unit is discontinued, there is no discernible negative effect on the overall portfolio.

This exercise is conducted individually for each of the four scenarios.

Fig. 25 – Illustrative analysis of the business unit interplay for one scenario



Source: Monitor Deloitte analysis

Strategy development & adjustment over time

After having assessed the existing portfolio based on the scenarios developed, the next step is to derive measures (options) on the way towards a future-proof portfolio.



After having assessed the existing portfolio based on the scenarios developed, the next step is to derive measures (options) on the way towards a future-proof portfolio.

Options need to be feasible and describe how an organization can respond to changes in its environment. We propose to formulate options as strategic choices within the Monitor Deloitte Choice Cascades framework (see page 49). More specifically, describe the underlying business model (“where to play” and “how to win”) as well as the capabilities and management systems that enable this business model.

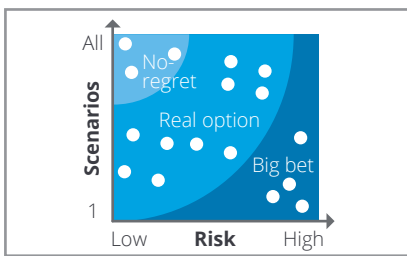
Some of the options identified will be no-regret moves, generating value in all scenarios. Other options will generate value only in some scenarios, making them real options. Embedding real options enables companies to adjust their strategy over time depending on how critical uncertainties evolve in the future.

This exercise not only provides an appropriate framework to synthesize the insights into actionable options but also allows the identification of inherent risks. The process helps executives to understand the risk-return trade-offs of different portfolio options. Lastly, executives need to take into account the feasibility of each portfolio option, considering, for example, the required investment as well as antitrust regulations.

Combining these analyses will result in a roadmap towards a future-proof portfolio that consists of no-regret moves and embeds suitable real options that may become necessary strategy adjustments over time.

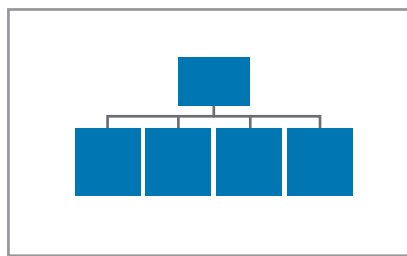
Fig. 26 – Strategy development and adjustment over time

10) Strategic options



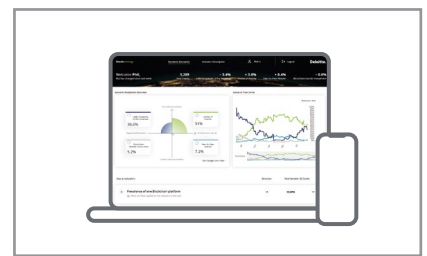
Derive strategic options, ranging from big bets to no-regret moves

11) Future-proof portfolio



Determine resulting implications and strategic responses for portfolio

12) Sensing & monitoring



Define indicators to monitor trend developments

10) Strategic options

Deriving strategic options constitutes the supreme discipline and is part of the final synthesis of the insights generated so far. The objective is to build a resilient portfolio that not only survives scenarios but also builds optionality and balances risks. Ideally, bringing together how the distinct businesses perform individually and how they interact in the given scenarios will yield several portfolio options. Overall, we can observe two sets of options that have emerged in the course of this case study:

Robust, no-regret moves

Based on the different analyses conducted, it becomes evident that strong content based on popular characters, brand and franchises is mandatory for Media Company X.

Broadcasters and content producers can no longer rely on their market positions. Thus, strengthening Media Production as well as Merchandising and Theme Parks business units is a no-regret move that pay off regardless of the scenarios. Therefore, players must become attractive enough for digital and creative talents, since attractive and creative content certainly remains mission-critical.

Dynamic options

Based on the realization of the scenarios, Media Company X is facing two dynamic options on a portfolio level.

Streaming Offerings can certainly be a key asset, yet there are scenarios where streaming services are a strong divest. Thus, Media Company X needs to decide how to distribute content in the digital space. Having its own distribution services might be helpful, yet content is the key pulling force. Consequently, to safeguard its future revenue streams, Media Company X needs to be open to cooperation and alliances. Deciding to invest in its own capabilities is highly capital-intensive. Technology is a core element of business processes, and mastering them is a prerequisite for positioning the company in an increasingly digital video market landscape.

Traditional Television Offerings seem to be a burden for Media Company X. While there are some scenarios in which they serve as an asset, a multitude of scenarios is easier to conquer without the traditional TV network and sinking investments into the content production. Thus, Media Company X needs to make decisions on where to place its bets.

11) Future-proof portfolio

While we have evaluated emerging, generic strategic options for TV and media players, options that qualify as part of a future-proof portfolio still need to be identified. We propose drafting a company-specific framework that exhaustively considers the different dimensions of risk, return, and feasibility and assigns weights according to the company's specific risk tolerance.

Usually, all no-regret moves qualify as part of the future-proof portfolio going forward. Dynamic options on the other hand that require significant investment need to be

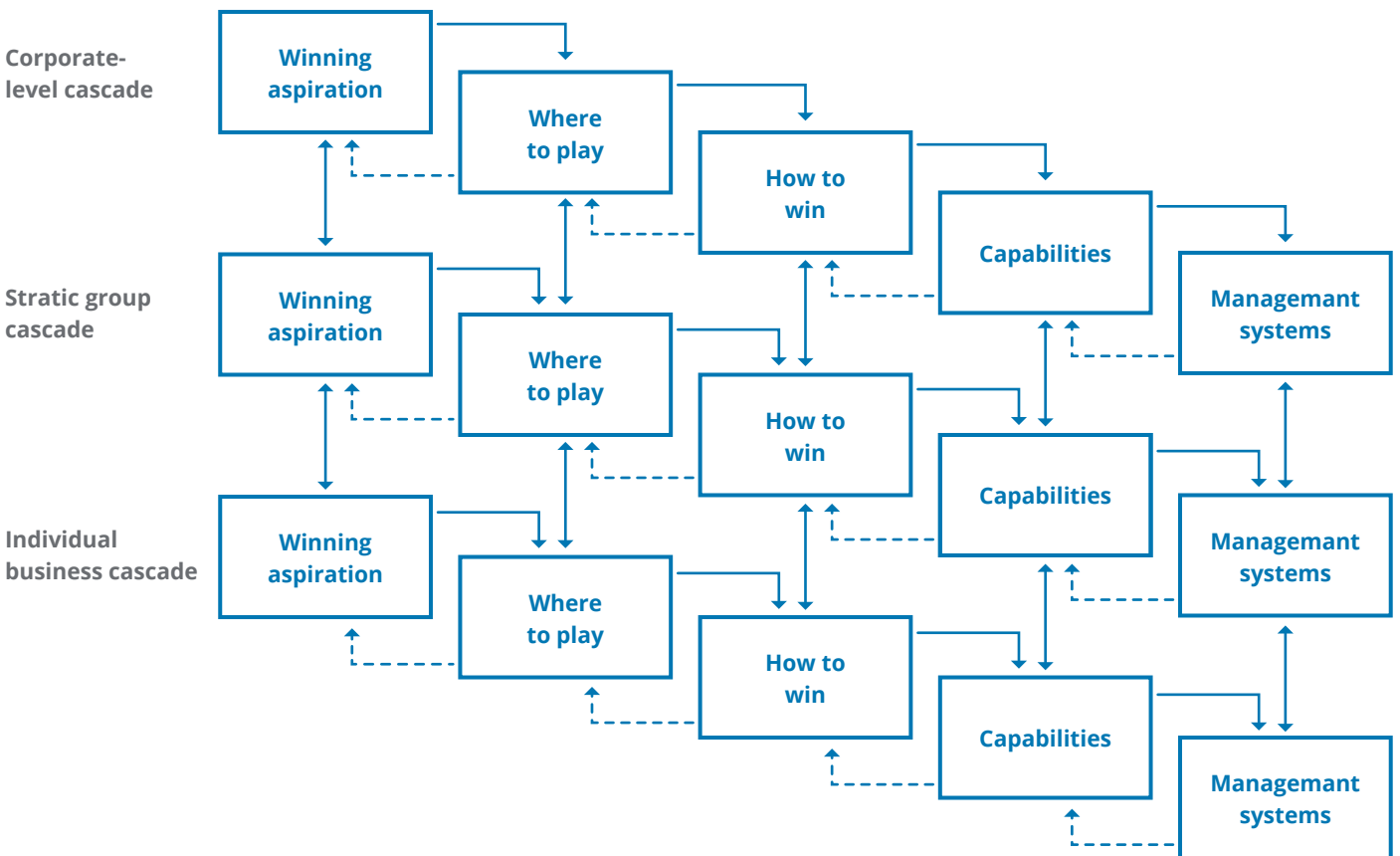
analyzed thoroughly, particularly concerning scalability.

In the end, this analysis will yield a comprehensive strategic choice cascade (see figure XX) that describes all distinct business units and deliberately embeds scalable options that can be pursued once certain events or trends unfold. A good and resilient portfolio strategy is one where all elements build a coherent and reinforcing cascade, both horizontally and vertically. In the context of scenarios, we test all assumptions underlying the company's strategic choices in all four scenarios.

CIMARIS:
Bitte Zahl ergänzen.
Fig. 27?

Fig. 27 – Monitor Deloitte's strategic choice cascade

Nested choice cascades



Going forward, this portfolio will provide resilience and flexibility. Not only does this exercise prepare executives for a

multitude of events, it also teaches them where to look and how to interpret events indicating how the future will play out.

12) Sensing & monitoring

The resilient portfolio management approach revolves around a powerful set of volatile future trends represented by the four scenarios. As each scenario results in distinct implications, it is of crucial importance to observe future variables. Their development determines which scenario materializes over time and hence is essential for selecting and executing necessary strategic measures to ensure the continued competitiveness of a portfolio. However, growing market and information complexity make it increasingly difficult to capture and interpret the multitude of events for ideally informed and reflected decisions.

Thus, to tackle the challenges resulting from information and decision uncertainty, Deloitte has developed Gnosis.strategy—a web-based decision support platform combining AI-powered indicator monitoring with our scenario methodology.

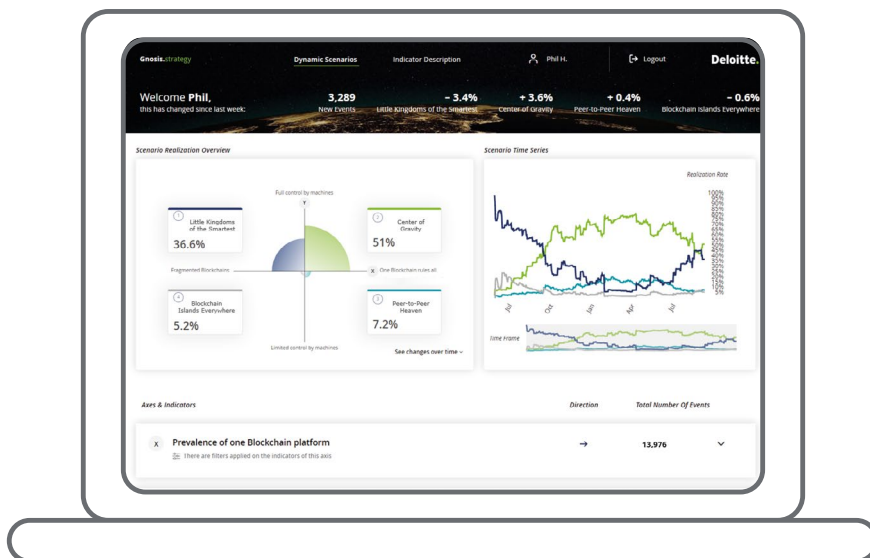
Gnosis.strategy uses AI to continuously monitor and assess individually defined indicators which aim to reflect an aggregate of market developments based on the latest market data e.g. news, blogs, journals, M&A transactions, patent registrations, company-internal data etc. Each indicator automatically scans the knowledge landscape to provide a global, holistic, up-to-date and unbiased perspective on (changes in) portfolio-relevant business environments and future variables. The functionalities and benefits of Gnosis.strategy are threefold:

1. Each indicator is linked with a scenario axis providing a structured overview of which scenario materializes over time. Appropriate actions can be identified, planned, and validated proactively based on the future direction of a market or industry.

2. Each indicator includes a documented history of change-effective data and events, allowing the in-depth analysis of changes in business environments, retracing of changes to specific events and analysis of competitors or emerging trends.
3. The value of Gnosis.strategy grows with each additionally integrated indicator as scenario monitoring quality and accuracy increase and indicator analyses become more comprehensive as a result. In this context, Gnosis.strategy provides regular analyses of the validity and exhaustiveness of monitored indicators.

Applying Gnosis.strategy to resilient portfolio management enables executives to continuously analyze the resilience of their portfolio and act early on in light of the changing market environment.

Fig. 28 – Gnosis.strategy Dashboard – Desktop & App



- Dashboard with realization rates of each defined scenario
- Overview and in-depth description of indicators
- Structured analysis and interpretation of events which influence indicators and scenarios

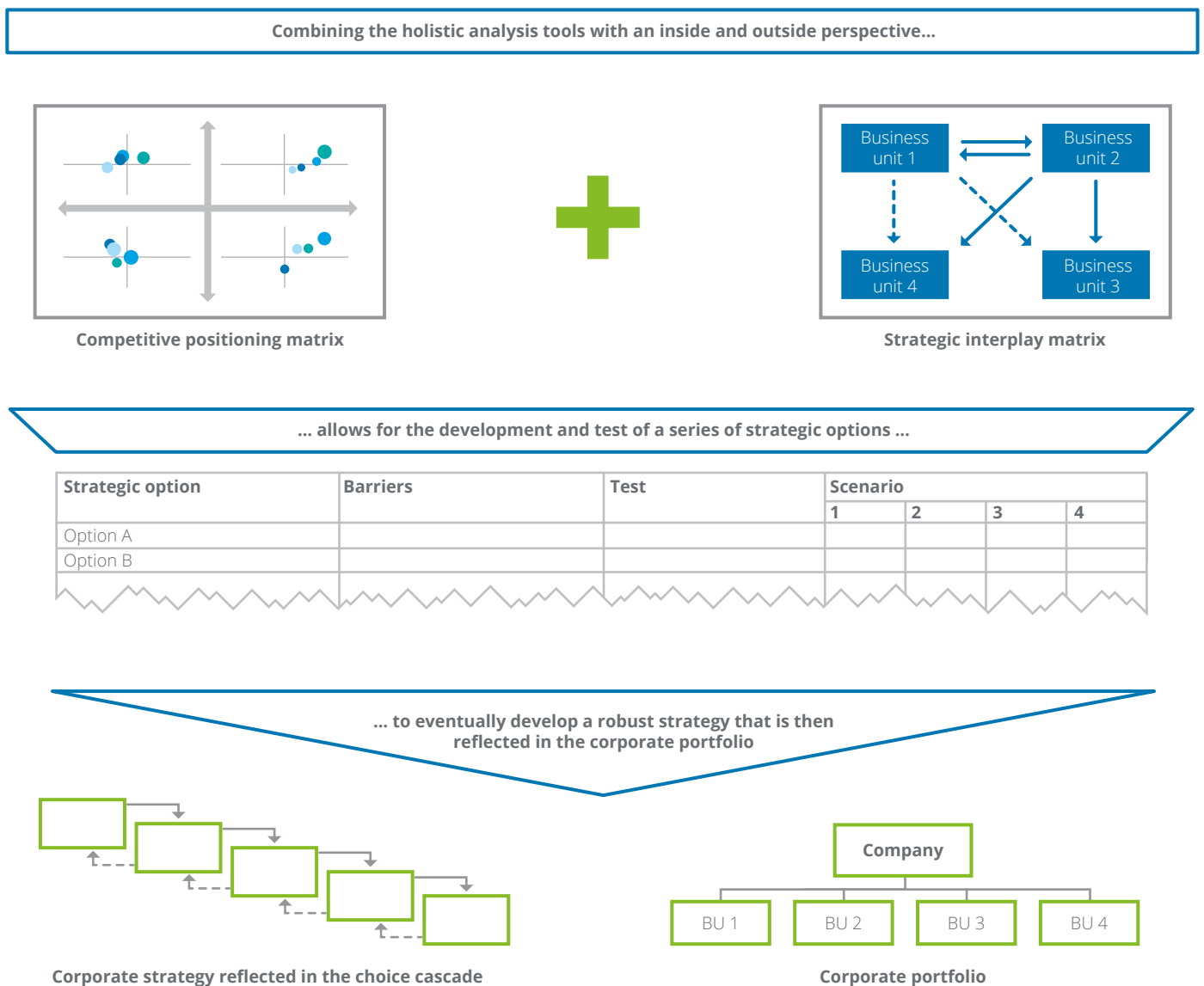
“Times and conditions change so rapidly that we must keep our aim constantly focused on the future.”

Walt Disney

Summary: Future-proof portfolio

Combining thoughtful, comprehensive analysis with future thinking enables the development of a resilient, future-proof portfolio

Fig. 29 – Overview of Resilient Portfolio approach



The resilient portfolio is not an isolated methodology. It is a comprehensive and integrated set of frameworks that ultimately help to develop a robust, future-proof and resilient portfolio.

In the first step, the competitive positioning matrix enables an isolated view of each business unit, while the strategic positioning matrix takes an integrated portfolio view. Both combine an internal and external perspective.

This analytical output enables the development of strategic options that are potential choice cascades.

When testing and evaluating those options, we can develop a corporate strategy that provides the basis for a resilient portfolio and translate it into business unit strategies with the nested-choice cascade approach.

“When nothing is sure,
everything is possible.”

Margaret Drabble

Conclusion

An advantaged portfolio—a portfolio that is strategically sound, value-generating, and resilient—is at the heart of every successful company. While it is difficult to optimize across all three criteria simultaneously, an advantaged portfolio will make trade-offs across these criteria in search of the most compelling balance. In times of rapid change and great uncertainty about the future market conditions within the industry, organizations will need to put greater emphasis on building resilience.

The three features we introduced illustrate what a resilient portfolio looks like at the most basic level for a typical company. They help manifest the implicit and explicit bets within and across an organization's businesses and also derive strategic options for plausible future scenarios. Thus, they serve as a valuable guide for executives in their ongoing work to define the businesses in which to participate and how to generate value within and across these businesses.

The focus of the underlying case study, Media Company X, has undergone an entire Advantaged Portfolio analysis, in addition to the resilience analysis. It shows that the company has inhibited development of a portfolio which is strategically sound and value-creating.

In the end, the implications for organizations and their businesses from this study are two-fold:

1. The pace of change requires new flexibility about when to set direction: creating a resilient strategy implies giving up traditional strategy development processes with annual reviews in favor of ongoing sensing of relevant trends and developments. Strategy reviews are scheduled when the industry environment is about to change fundamentally, with real-time refinements and sprints to respond to triggering events—thereby increasing the effectiveness and efficiency of the strategy development process.
2. Organizations need new frameworks, tools, and approaches to identify emerging trends and strategic opportunities in real time and to be prepared to pivot as new information comes in.





Contacts



Florian Klein

Director
Head of Center for the Long View
Tel: +49 (0)69 9713 7386
fklein@deloitte.de



Egbert Wege

Strategy Lead
Monitor Deloitte
Tel: +49 (0)40 3208 04596
ewege@deloitte.de



Alexander Mogg

Partner Operations Transformations
Deloitte
Tel: +49 (0)89 29036 7939
amogg@deloitte.de



Mirko Dier

Lead M&A Consulting Services
Deloitte
Tel: +49 (0)89 29036 7377
mdier@deloitte.de

Authors



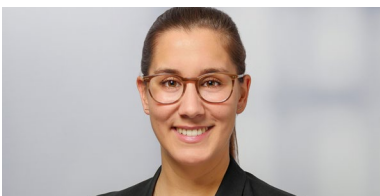
Andreas Schühly

Senior Consultant
Monitor Deloitte
Tel: +49 (0)89 29036 7133
aschuehly@deloitte.de



Niclas Vieten

Senior Consultant
Monitor Deloitte
Tel: +49 (0)69 9713 7548
nvieten@deloitte.de



Julia Weiß

Consultant
Monitor Deloitte
Tel: +49 (0)89 29036 6561
jweiss@deloitte.de



Sina Niggeloh

Senior Consultant
Monitor Deloitte
Tel: +49 (0)89 29036 4050
sniggeloh@deloitte.de

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