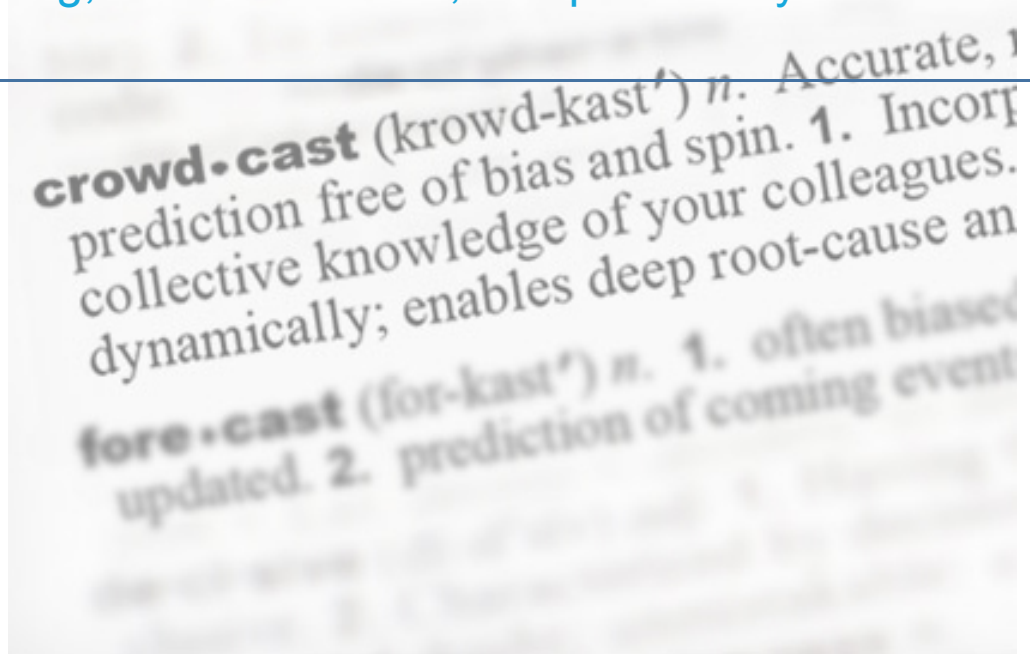


# Harnessing Collective Intelligence to Improve Strategic Planning

Leverage the tacit knowledge in your organization to improve decision making, increase control, and proactively reduce risk

White Paper



“Knowledge has become the key economic resource and the dominant – and perhaps only – source of comparative advantage” —Peter Drucker

## Executive summary

In today's highly competitive business environment, better strategic plans and forecasts have become a key competitive advantage for the enterprise. Companies must engage in strategic planning that clearly defines objectives and assesses both the internal and external situation to formulate and implement the strategy, evaluate progress, and make adjustments as necessary to stay on track.

While enterprises have invested in systems and processes to improve strategic planning, gaps remain. This is mainly due to two factors. First, traditional analytical and planning applications are based on historic data, which cannot fully inform forward-looking decisions. And second, the planning process becomes so laborious that plans are only created or revised once or twice a year. A new kind of tool is needed to address these problems – one that delivers timely and accurate business forecasts and readily connects planners with employees on the ground so that key metrics can be monitored in real-time.

The Crowdcast solution allows managers to harness the implicit knowledge that lies dormant in organizations and translate it into insights that inform both strategy formulation and execution. It is a powerful way to augment existing strategic planning systems with a real-time view into emerging risks and opportunities. Armed with this knowledge, management can make assessments early and take action with confidence to ensure success and maximize corporate performance.

## The Strategic Planning process

The strategic planning process is concerned with anticipating the future – Which products to develop? To whom and where to sell them? Where to expand and contract? – and figuring out how to best get there. When implemented properly, it fosters collaboration, coordination, and creativity, which are essential to sustained success. The steps of the process are outlined in the following diagram.



The strategic planning process

Mission and objectives is an articulation of the company's core values, purpose, and high-level goals. Once in place, the firm's leaders can define measurable financial and strategic objectives.

Environmental sensing is about understanding the company's core competencies, its industry, and the external environment in which it operates. Analysis frameworks such as PEST and Michael Porter's famous Five Forces are often used in this step. The next step, strategy formulation, is about developing a plan to attain superior profitability. It often entails developing a strategy to assert and enhance competitive advantage. Strategy implementation is where the plan becomes operational. Here, the company puts programs in place to execute to the strategic plan. Lastly, evaluation and control is about measuring the performance of the strategy so that adjustments can be made as new information surfaces.

A wide variety of software tools are available to help enterprises with the strategic planning process. Traditionally, these tools have focused on financial reporting and analysis and have had the most impact in the implementation and monitoring phases. Examples include Cognos (IBM), Hyperion (Oracle), and Business Objects (SAP). Recent entrants, which include SAP's 12 Sprints, have focused on strategy formulation.

The strategic planning process can be improved in two significant ways. First, inputs to the system can be expanded beyond simple historical data. Many analytic applications rely on transactional data and ignore the fact that the future is rarely like the past. And second, the planning process can be expanded to include quick and easy collaboration between diverse teams and sources of information.

## The need for a new approach

Traditional analytic applications are based on transactional (i.e., historic) data. While they are great for tracking actual-to-plan performance, business leaders cannot base forward-looking strategic decisions solely on historic reports. Monitoring performance of strategic initiatives is another challenge. In today's hyper-competitive environment managers are looking for insights into risks as soon as they arise. Waiting until actuals have been collected and summarized is often too late. With "hockey stick" quarters, gaining insights into the probability of success early can be the difference between making the numbers and a precipitous loss in shareholder value.

The problem is not lack of information. Rather, it is a lack of communication channels through which people who know and people who need to know can interact. Without this, even with the most sophisticated processes and systems, management's ability to identify and respond to risks and opportunities around strategic programs in a timely fashion is seriously compromised. A viable solution must address these requirements:

- Filter out bias. To be effective, a solution must provide information free of bias and spin, which often influence targets.
- Cut across organizational hierarchies and information silos. A QA engineer in the trenches should be able to surface a potential problem just as easily as a senior financial planner.
- Work in real-time and be easy to use. Stakeholders can quickly identify and understand both risks and opportunities early so that they can take corrective action.
- Facilitate organizational alignment. When it comes to execution, it is important to ensure that all the key players, from top to bottom of the reporting hierarchy, are bought in to the plan. This prevents the planning process from being viewed as a zero-sum game, where one division's gain is another's loss.

## Leveraging collaborative intelligence to improve strategic planning

Crowdcast is a collective intelligence platform that dynamically aggregates the knowledge of your employees and translates it into insightful and accurate business forecasts. Crowdcast augments your existing processes and systems with a real-time knowledge feed from everyone involved in crafting, executing, and monitoring your strategic plans. Crowdcast is a real-time risk assessment dashboard, which gives managers immediate insight into events that may impede success.

Crowdcast can be used throughout the strategic planning process. Tap into the knowledge of your employees and partners to get insights into the competitive landscape during the environmental sensing phase. During strategy formulation, use Crowdcast to compare scenarios of product mix alternatives to maximize the value of your portfolio. For strategy implementation and on-going monitoring, Crowdcast is an invaluable early warning system that alerts stakeholders to risks.

### Crowdcast platform overview

The Crowdcast platform consists of three main parts: knowledge capture and aggregation, administration, and analytics and reporting.

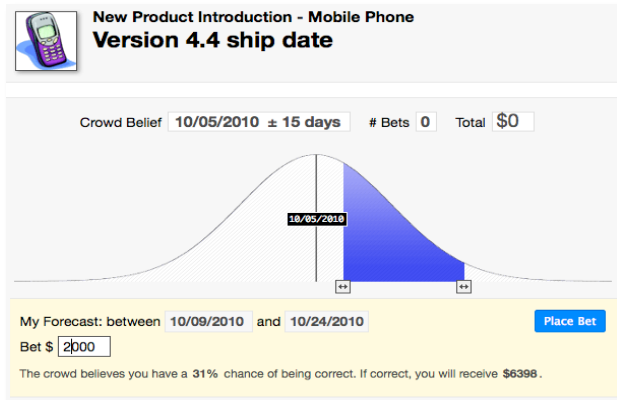
### Crowdcast Executive Dashboard

- Management dashboard for real-time probability of success alerts
- Drill-down analytics to for uncovering root causes



### Insight Aggregation

- Intuitive interface for participants to share unique insights
- Powerful prediction markets-based aggregation mechanism generates crowd forecasts, or *crowdcasts*, timely, unbiased, accurate forecasts



### Administration

- Create and publish crowdcasts
- Manage participants

1 - Description | 2 - Details | 3 - Activation | 4 - Review & Save

Name: What will our market share be in Q2?

Description: What will our market share be at the end of Q3 2010?

Mean: 12%

Standard Deviation: 3%

Minimum: 0%

Maximum: 100%

Suffix: %

Target: Greater than 10%.

Initial State: draft

Create Forecast

## The Crowdcast process

The Crowdcast process enables managers to quickly identify potential project risks, understand their root causes, and proactively take corrective action. Crowdcast is not a replacement for your strategic planning applications. Rather, it is a way to get unbiased, accurate information about what's really going on.

To get going, you simply create questions in the Crowdcast Platform around key milestones and metrics in your project plan and publish them to everyone involved with the project that may have pertinent knowledge. Participants share their unique insights about these metrics as quantitative forecasts, or bets, as well as qualitative comments that explain their rationale. As bets come in, you monitor the performance of your metrics. The system alerts you as soon as metrics are at risk of missing targets, allowing you to take corrective action. The Crowdcast process works as follows:

1. Identify key metrics and milestones, which are vital for the success of the strategic plan. Examples include market share in new markets and sales targets.
2. Create crowdcasts using the administration interface. A variety of metrics are suitable for crowdcasting. These simple questions serve as selection criteria:
  - Can I place a bet with a friend about this metric? In other words, does the outcome become objectively known at a future date? “When will our new product ship?” is a suitable question because product ship date will be known in the future.
  - Will the actual outcome become known in the not-too-distant future? Budget for a project that's slated to begin in 2025 would be a bad candidate.
  - Does knowledge about this metric actually exist and is it dispersed throughout my organization?

In addition to dates, Crowdcast supports numbers, such as units, percents, and currency, and discrete values, “Will we go with vendor A or B or C?”

3. Invite participants to share their insights.
  - Once invited, participants get email notifications with instructions for how to begin.
  - This step happens mainly as part of system setup. Once participants register with the system, they automatically see new questions.
  - Some questions are more sensitive than others, so managers can control access to them via customizable access lists.
4. Participants bet on outcomes.
  - The system aggregates all bets on a given question into a single distribution with a mean and standard deviation, or confidence interval. A smaller confidence interval indicates that most participants' points of view are in alignment.
  - Participants leave comments that give rationale behind their points of view. Collectively, these comments provide a rich contextual complement to quantitative metrics.
  - Participants' bets are anonymous, which is vital for ensuring that the communication channel from the people who know to the people who need to know is free of bias and spin.
  - The system rewards rare and relevant information. If a participant knows something that is not incorporated in the crowdcast – for example, an integration engineer applied a patch from the vendor that caused the regression test suite to fail – the potential return on her bet will be high because, relative to the crowd, this outcome is less likely.
5. Stakeholders monitor performance.

Managers track crowdcasts over time using the console, which alerts them when targets are at risk. Doing so gives them the ability to identify potential risks early, understand their root causes, and take timely, corrective action.

## Case: \$60B pharma company

**Case:** 60 billion dollar drug maker relies on Crowdcast to identify, understand, and operationalize key business driving factors.

**Challenge:** Identify and react to macro trends that significantly influence the business.

**Impact:** Significant top line gains due to improved responsiveness to external factors, such as e-prescribing and the Medicare donut hole.

**Stakeholders:** Heads of Corporate Strategy and Marketing.

Before	After
Likelihood and impact of macro trends, such as e-prescribing and demand for comparative medicine, were assessed in an ad hoc manner that lacked a process and an audit trail for future learning.	Over 80 participants across the New Business Development organization participated in quantifying the impact of identified risk factors.
Once programs to address strategic risk were put in place, there was no way to proactively monitor their efficacy.	Crowdcast forecasts are living records of changes in environment. Stakeholders were able to monitor program performance against preset targets and fine-tune as new information became available.
Forecasts were based on complex, at times poorly documented, models.	Participants provide rationale as qualitative comments in support of their beliefs as comments, which can be accessed via dashboards.

## Conclusion

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. At its core is the most critical question: "What can we do to run our business more efficiently and profitably?"

Your employees have knowledge that, when harnessed, brings to light risks associated with formulating and executing a strategic plan. Leveraging this tacit knowledge requires a new kind of tool – one that enables people to share information anonymously, efficiently aggregates this information into a coherent whole, and presents results to management in a way that improves decision making.

Crowdcast is the only provider of collective intelligence solutions that is wholly focused on challenges in the enterprise. It was designed from the ground up to be easy to use for participants and decision-makers alike. Crowdcast helps companies align decision-making and identify and manage risks around the formulation and execution of strategic plans.

## About Crowdcast

Crowdcast delivers real-time visibility into the true state of your business. Our Collective Intelligence Platform creates crowd forecasts of key metrics by rewarding accurate employee insight. With Crowdcast, leaders make better decisions. Fortune 1000 companies rely on Crowdcast to improve project and portfolio management and to uncover and mitigate strategic and operational risk. For more information, visit <http://www.crowdcast.com>.