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Empowering
Business Success

Functional Strategies as Critical Enabler to Achieve Strategic Targets

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Functional strategies as pivotal driver for attaining strategic goals

90% of corporates fail to meet their strategic targets [1]

90% ⚡ | 10%

Those companies that do succeed have one thing in common: well-designed functional strategies

Corporate strategy
Overarching strategic plan for the company as a whole

Business 'x'

Business strategy
Plan for specific businesses, e.g., focus on markets, industries, products, solutions, systems, services

Business 'y'

Business 'z'

IT strategy

Functional strategy
Plan for specific functions comprising both central (= Corporate) & decentral (= Business & Regional) units

Cybersecurity strategy

HR strategy

…

Benefits of functional strategies

✓ Needs-based development and provision of services

✓ Optimized allocation of resources and cost

✓ Thought leadership in their respective domains

1) Source | Harvard Business School: The Balanced Scorecard: Translating Strategy into Action

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Functional strategies are complex to design

Just like a perfect pizza, a **successful functional strategy** is more than just a single standout element

Consider e.g., IT and cybersecurity functions:
They **must balance competing demands** such as e.g.,
- Corporate's push for standardization & cost efficiency
- Businesses' need for agile, customized solutions
- Emerging challenges from AI, cloud transformation, etc.
- Regulations or industry-specific compliance

In this challenging environment, a functional strategy must come together like a well-balanced pizza, with **key ingredients working in harmony**

Four essential ingredients to craft a "delicious" functional strategy

Strategic enablement

Mapping a function's target capabilities to corporate & business goals is essential to design a purpose-fit strategy. When corporate sets specific growth targets, the Functional Strategy must outline how operations and capabilities will be scaled to enable and support these objectives.

Clear focus in terms of objectives

Setting ambitious, outcome-oriented goals ensures efficient resource allocation that delivers transformative rather than gradual change. For instance, a strategic goal like „End-to-end processes fully automated by 2030", supported by specific KPIs, provides both clear direction & measurable results.

The dough

The sauce

The cheese
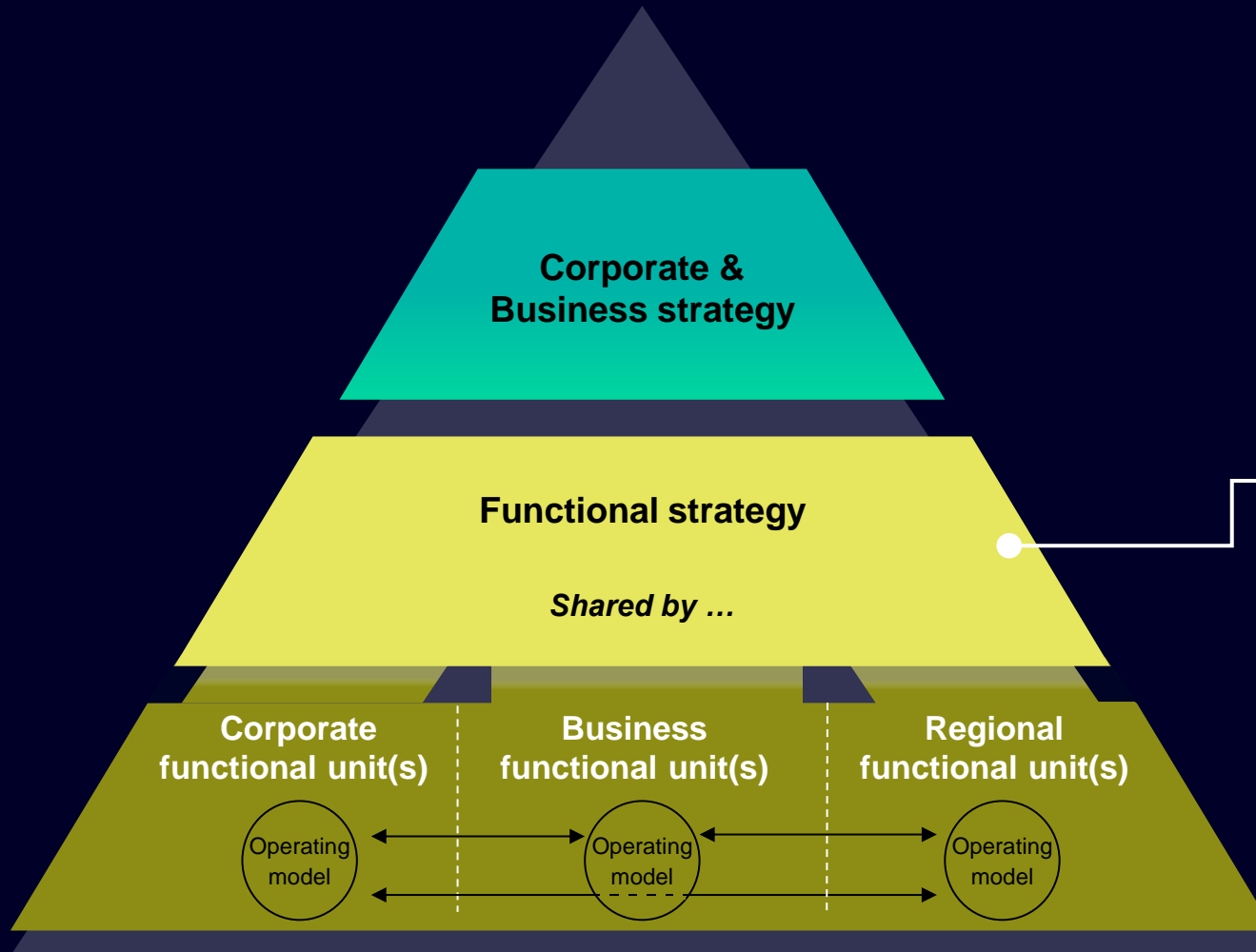
The extras
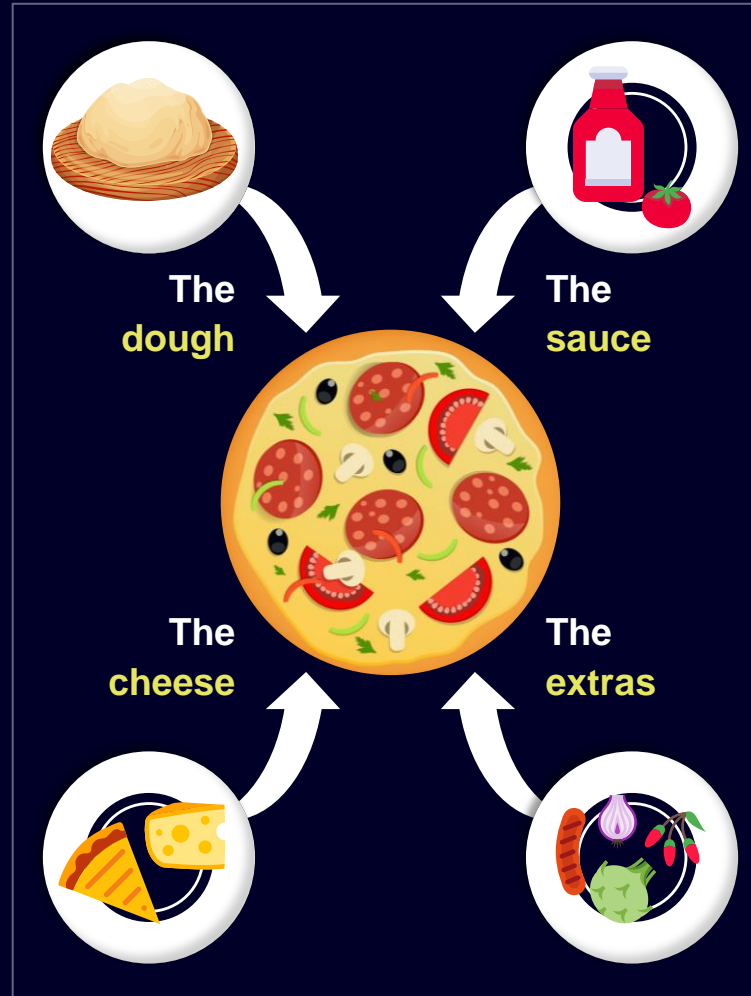
Response to global (mega) trends

Strategic objectives must reflect relevant megatrends in your function's domain. If sustainability is a megatrend, for example, your function should include goals like a "reduced data center energy consumption by X%" in its strategic roadmap.

Alignment between central and decentralized functional units

A successful functional strategy requires joint development: When representatives from corporate, business, and regions collaborate, it ensures shared ownership, unified direction, and committed execution across all functional units.

KPI = Key Performance Indicator

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Bringing everything together:
A common functional strategy shared by central & decentralized units

Corporate & Business strategy

Functional strategy

Shared by …

Corporate functional unit(s) | Business functional unit(s) | Regional functional unit(s)

Operating model ↔ Operating model ↔ Operating model

Key strategic elements

Common vision and mission
- Statements **shared between all units (central & decentralized)** within the function
- Providing a **common direction** while guiding strategic decision-making
- Inspiring employees to work towards a common goal

Common strategic goals
- **Actionable strategic goals** jointly derived with all functional units from Corp., Businesses & Regions
- Considering **corporate & business demands**, objectives, market trends, and regulations

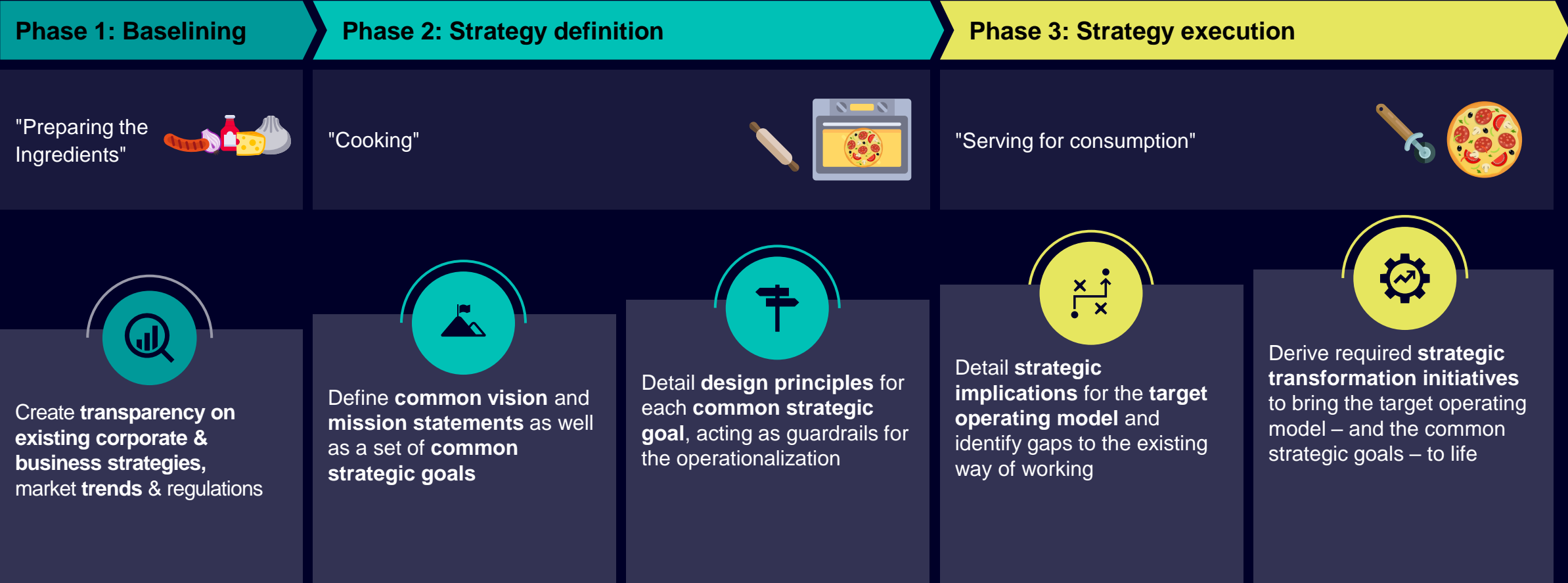**How do we get there and KPIs**
- **Design principles** along the typical dimensions of an **operating model** [1]
- **KPIs** to enable **progress tracking**

Key to success: **On-site workshop series with participants from corporate, business & regional units**
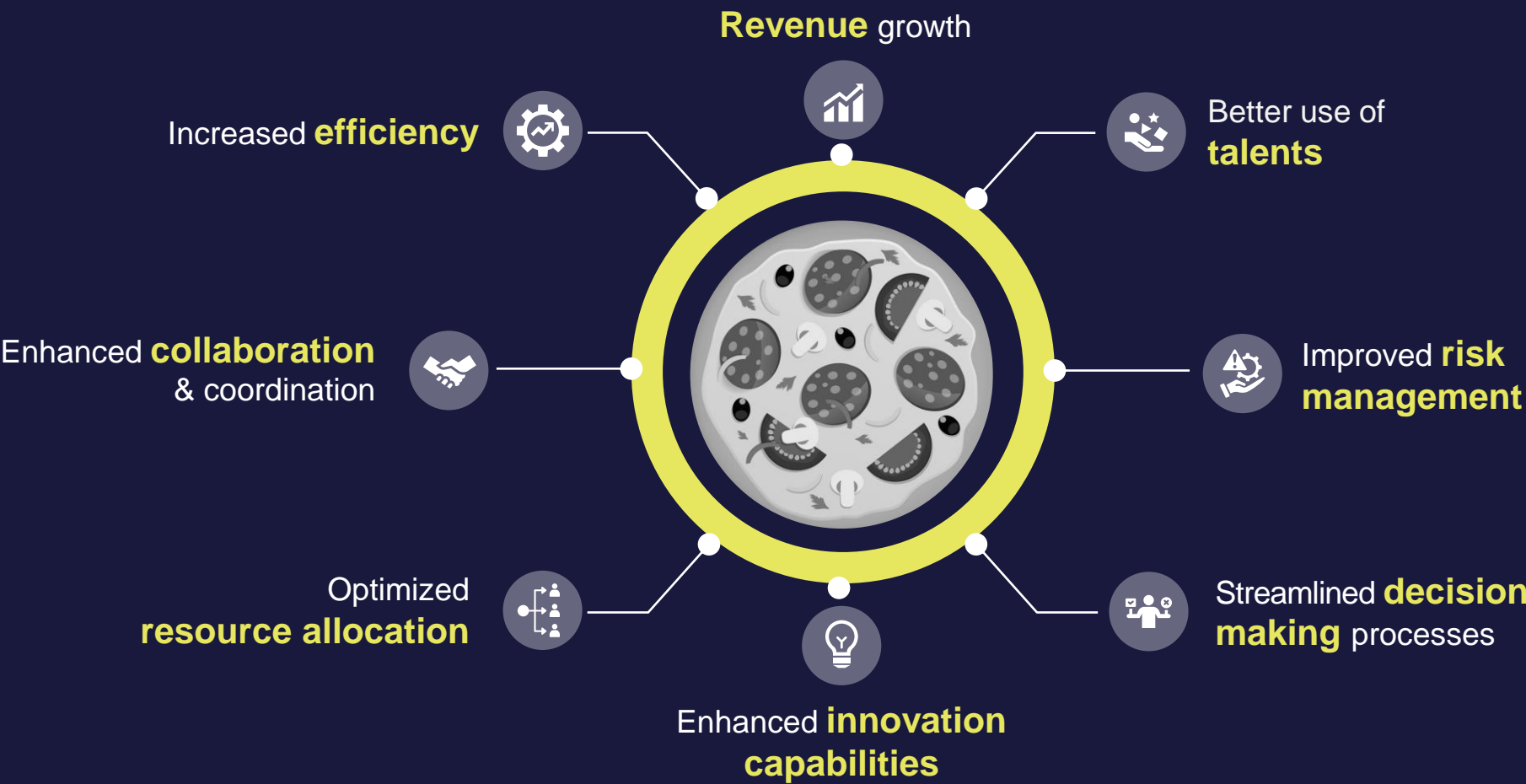
1) E.g., governance, organization, processes, technology, people & culture   KPI = Key Performance Indicator

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Our proven recipe for crafting a Functional Strategy

Phase 1: Baselining	Phase 2: Strategy definition	Phase 3: Strategy execution
"Preparing the Ingredients"	"Cooking"	"Serving for consumption"

Create **transparency on existing corporate & business strategies,** market **trends** & regulations

Define **common vision** and **mission statements** as well as a set of **common strategic goals**

Detail **design principles** for each **common strategic goal**, acting as guardrails for the operationalization

Detail **strategic implications** for the **target operating model** and identify gaps to the existing way of working

Derive required **strategic transformation initiatives** to bring the target operating model – and the common strategic goals – to life

Key to success: **A workshop-based approach with stakeholders from central (= Corporate) and decentralized (= Business & Regional) functional units**

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Benefits of successful Functional Strategies

Revenue growth

Increased **efficiency**

Better use of **talents**

Enhanced **collaboration** & coordination

Improved **risk management**

Optimized **resource allocation**

Streamlined **decision making** processes

Enhanced **innovation capabilities**

Source: Siemens Advanta Consulting project experience and desk research

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