

# Boardroom Questions

Strategy – where to play and how to win



Innovation to results – Boards need to consider strategy as an integrated portfolio of initiatives, aligning challenging financial ambitions with the core elements of a sustainable business model and the aspiration of operational excellence.

Primary drivers for increasing interest, involvement and influence include:



Greater disruption in the marketplace caused by globalization and disruptive new market entries



Swift technological development



Intensified governmental regulations and scrutiny



Increased pressure related to environmental and social issues

## Why it is an issue for Boards

A company's long-term sustainability is continually challenged by:

- **Customers** demanding ever increasing value and changing consumption patterns
- **Competitors** making aggressive moves to capture market share and improve their cost advantage
- **Regulators** introducing new rules and constraints for conducting business, changing the profitability dynamics
- **Disruptors** redefining value propositions, creating new markets, converging previously unrelated sectors, and radically changing operating models

In addition, macro trends relentlessly reshape the landscape, threatening well established business and operating models:

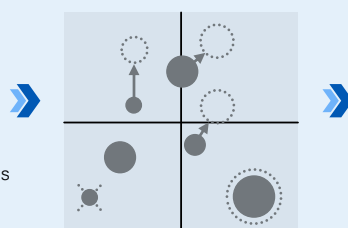
- **Political:** changing direction, agendas and business support; instability and democratic movements in emerging economies
- **Economic:** globalization, new economic blocks and rise of frontier markets
- **Social:** shifting demographics, urbanization, consumerism and increasingly connected and «social» communities
- **Technology:** democratization of information access, accelerated advances in computing, big data, sophisticated analytics
- **Legal and Risk:** increasing regulation and legal controls e.g. global tax policies and data privacy
- **Environmental:** constraints on natural resources (e.g. oil, minerals), increasing environmental protection and corporate citizenship, impact of and action against climate change

# Value of Strategy

9 Levers of Value – where to play & how to win

- 1 Financial ambition
- 2 Markets
- 3 Propositions & Brands
- 4 Customers & Channels
- 5 Core Business Processes
- 6 Operations & Technology Infrastructure
- 7 Governance, Organizational Structure & Risk Controls
- 8 People & Culture
- 9 Measures & Incentives

Ambition setting



Craft and execute winning strategies

- Portfolio Adjustment: optimizing synergies and fit within portfolios (businesses, products or services)
- Deal Assessment: focus on buying/selling businesses and implementing strategic alliances
- Enterprise-wide Transformation: focus on end-to-end business and operating model transformation
- Growth: top line focus
- Cost Improvement: bottom line focus

## A strategy is a concrete plan that answers fundamental questions of choice

- Financial Ambition:** What financial and strategic goals does the company want to achieve? How do we balance growth and profitability? What do investors and shareholders want? What is the investment appetite?
- Business Model:** Which markets must the company serve? How should it bolster its competitive position? What is the optimal product portfolio to serve customer demand? What pricing strategy creates most value? How should the company continue to attract customers and improve loyalty?
- Operating Model:** Which business processes are core to delivering the value proposition? How can they be made more efficient? How can new and emerging technology be utilized? How can governance and risk controls be made more effective? How does the organization achieve the full potential of its people? How should people be incentivized to encourage the desired behaviors?

## Questions to Executive Directors

- Have we made **clear choices** in our strategy about what the organization will do and what it will *not* do?
- How **well aligned is management** around these choices?
- What are the **key assumptions** behind our current strategy and what will happen if they do not materialize?
- When was the **last analysis undertaken** of our industry, market and competitors?
- What is the **performance of the current strategy** regarding commitments to investors?
- How ready are we for **market changes** and disruption?
- What is the scope of our talent gap to **implement strategy** throughout the organization?
- Does the **executive team have sufficient resources** to implement new ideas alongside running the business profitably?

## What actions can the Board take?

- Call for an **in-depth review of the current strategy**, assessing its relevance to the business environment and organizational reality
- Examine the **business model opportunities and threats** arising from the macro landscapes, business environment and organization's capabilities
- **Stress test** the current strategy against competitive threats and market disruption
- Examine the **performance gap** against the company's potential and existing commitments to the investors
- Develop, with the executive team, **robust and pragmatic strategies** to enable long term sustainable growth
- Engage with the senior management to improve, develop and **adjust strategies on an ongoing basis**.

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