

Boardroom Questions

Strategy – where to play and how to win



Defining strategy and ensuring successful execution is an area of increasing importance for Boards



Boards are dedicating more time to strategy: undertaking a **more active role** in the shaping, development and ongoing testing of strategic plans. Primary drivers for increasing interest, involvement and influence include:



Shortened lifespans of business models



Growing shareholder activism



Intensified governmental regulations and scrutiny



Increasing disparity between winners and losers

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 and 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; increasing instability in economies
- **Economic:** retreat of globalization, new economic blocks and rise of frontier markets
- **Social:** shifting demographics, urbanization, consumerism and increasingly connected and 'social' communities

- **Technology:** rapid pace of digital advancement, unpredictable scale of impact and speed to adoption
- **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



Carefully planned strategies are essential across all business issues including:

Growth: top and bottom lines focus

Cost optimization: managing the cost base

Enterprise-wide transformation and portfolio evaluation: focus on end-to-end corporate strategy and portfolio optimization (businesses, products or services)

Deal assessment: focus on buying / selling businesses and implementing strategic alliances

Digital: leveraging new and emerging technologies to transform future business and operating models

The strategy helps to answer fundamental questions



A well planned strategy is essential to navigate this complex, dynamic environment, setting the agenda, determining how and where to compete, guiding investment of resources, and enabling focus and discipline in day-to-day activities.



Financial ambition:

- What financial goals does the company want to achieve? Over what timeframe?
- What do the investors and shareholders want?
- What is the appetite for investment and risk?



Business model:

- Which markets are the most important to serve?
- How should the competitive position be bolstered?
- What is the optimal product portfolio to serve customer demand?
- Which customers should be targeted? How should they be attracted, converted and retained?
- How to digitally transform future business models?



Operating model:

- Which business processes are core to delivering the value proposition?
- How can they be made more efficient?
- How can new and emerging technologies be utilized?
- Should we build, buy or partner to develop required technology and infrastructure?
- How can governance and risk controls be made more effective?
- How does the organization achieve the full potential of its people? Are people appropriately measured and incentivized?

Boardroom Questions



- Historically, how well have we **achieved our stated goals** leading to investor confidence?
- How well is the **current strategy performing** regarding commitments to investors?
- What does the **business of the future** look like? Who will we serve? Who will we compete against?
- Are the **leadership and management aligned** in terms of strategic priorities and initiatives?
- What are the lessons learned from the **current strategy execution**?
- How ready are we for **disruption** and **evolving macro trends**?
- What is our talent gap to successfully **implement our strategy** throughout the organization?
- Are there **sufficient resources** to implement new ideas while running the business profitably?

What actions can the Board consider?



- 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 our 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**
- Consider whether our existing management has the capacity to optimize growth
- **Design the Board agenda to maintain ongoing focus** on strategy development, execution and recalibration

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