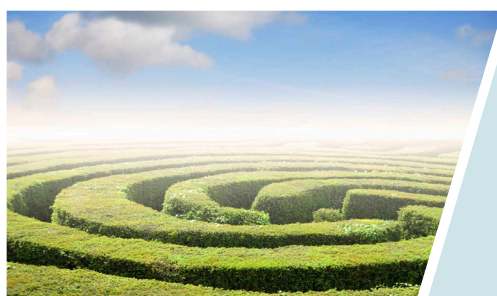


# Boardroom questions:

## Strategy – where to play and how to win

Defining Strategy and ensuring successful execution enables organisations to find value in an ever-changing market environment



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:



**Greater disruption in the marketplace caused by globalisation and new technologies**



**Growing shareholder activism**



**Intensified governmental regulations and scrutiny**



**Increasing differentiation 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, 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:** globalisation, new economic blocks and rise of frontier markets.
- **Social:** shifting demographics, urbanisation, consumerism and increasingly connected and 'social' communities.
- **Technology:** democratisation 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

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.

Carefully planned strategies are essential across all business issues including:



**Growth: top line focus**



**Cost Improvement: bottom line focus**



**Portfolio Adjustment: optimising 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 Corporate and Business Unit Strategy**



**Market Entry Strategy: evaluation of the market and competitive landscape**

## The strategy helps to answer fundamental questions



**Financial Ambition:** what financial goals does the company want to achieve? What do the 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? How should it 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 utilised? How can governance and risk controls be made more effective? How does the organisation achieve the full potential of its people?



**Competitive Landscape:** what is the outlook for the market? Does the organisation bring a uniquely differentiated proposition? What are competitors doing? Does the organisation have the core capabilities necessary to perform and succeed in the market?

## Boardroom Questions to Executive Directors

- For previous strategies, how well have we historically **achieved our stated goals** leading to investor confidence?
- When was the **last analysis undertaken** of our industry, market and competitors?
- What is the **performance of the current strategy** regarding commitments to investors?
- What have we learned from **the current strategy execution**?
- How ready are we for **market changes** and disruption?
- What is the scope of our talent gap to **implement strategy** throughout the organisation?
- Does the **executive team have sufficient resources** to implement new ideas alongside running the business profitably?

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## What actions can the Board take?

- Call for an **in-depth review of the current strategy**, assessing its relevance to the business environment and organisational reality.
- Examine the **business model opportunities and threats** arising from the macro landscapes, business environment and organisation'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**.
- Consider whether the existing **management has the capacity** to optimise growth.
- **Design board agendas that maintain ongoing focus** on strategy development, execution and recalibration.

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