

Strategy – Where to play and how to win?

KPMG Board Leadership Centre

Boards are confronted by an array of challenges in the year ahead – including global economic volatility, an energy crisis, supply chain disruptions, cybersecurity risks, and new geopolitical tensions. Long-term sustainability is being challenged and strategies need to be fit for purpose.

Additional challenges for boards arise when

- Customers demand ever-increasing value and are changing their consumption patterns;
- Competitors move aggressively in your industries to capture market share.
- Regulators display increased activism and introduce new rules and constraints to conducting business.
- Disruptors redefine value propositions, create new markets and converge previously unrelated sectors, thereby radically changing operating models.

A carefully planned strategy is essential to combat these challenges. Think about:

- **Growth:** top and bottom-line focus
- **Cost optimisation:** managing the cost base
- **Digital:** leveraging new and emerging technologies to transform future business and operating models
- **Deal assessment:** focus on buying or selling businesses and implementing strategic alliances
- **Enterprise-wide transformation and portfolio evaluation:** focus on end-to-end corporate strategy and portfolio optimization
- **ESG:** in which fields of play to make an impact on society.

What questions should boards be asking?

A well-planned strategy is essential in navigating the complex, challenging and dynamic environment in which boards find themselves.

It determines how and where to compete, guides investment and resources, and enables a clear focus on day-to-day activities by providing answers to questions on: ambition ‘what is our purpose and what do we aim for’ business model (where to play) and operating model (how to win).

More specifically, boards should ensure management are appropriately addressing the following key questions:

Ambition:

- What is our purpose and what role do we intend to play in society?
- What (financial) goals does the company want to achieve, over what timeframe?
- What do investors and shareholders want?
- What is the appetite for investment and risk?

Business model:

- Which markets are the most important or attractive to serve?
- How should the competitive position be bolstered?
- What is the optimal product/service portfolio to serve customer demand, now and in the future?
- What are the most attractive customer segments, and how can we attract, convert and retain them?
- How do we digitally transform future business models?

Operating model:

- Which business processes are core to delivering our value proposition?

- How can our processes be made more efficient?
- How can emerging technologies be utilised?
- How can governance and risk processes be made (more) effective?
- How do we optimise the full potential of our people? Are they incentivised for success? Does our culture support our purpose and strategy?

Board members can keep abreast of the success and relevance of the company's strategy by constructively challenging the Executive team on:

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

Actions for the board to consider

- Call for an in-depth review of the current strategy, assessing its relevance to the business environment and organisational reality.
- Examine the business model's opportunities and threats arising from the macro trends, business environment and the organisation's capabilities.
- Stress test the current strategy against different scenarios, including competitive threats and market disruption.
- Examine the performance gap against your 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 periodically with the executive team to improve, develop and adjust the strategy.
- Consider whether the executive team has the capacity to deliver on the stated ambition.
- Design the board agenda to maintain an ongoing focus on strategy development, execution and regular recalibration.
- Decide on how the board can best execute its role in the strategy process.

The KPMG Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. Membership offers you a place within a community of board-level peers with access to topical and relevant seminars, invaluable resources and thought leadership, as well as lively and engaging networking opportunities. We equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

Learn more at www.kpmg.com/uk/blc.

Contact us

Timothy Copnell
 Board Leadership Centre
 T: +44 (0)20 7694 8082
 E: tim.copnell@kpmg.co.uk

www.kpmg.com/uk/blc



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