



RAFFLES LEGACY LEARNING

BUSINESS STRATEGY MASTERCLASS

BOOK TWO - DEVELOPING YOUR OWN STRATEGY

PHASES OF STRATEGY I



MASTERCLASS COURSEBOOK

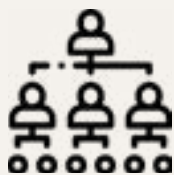


ORGANIZATIONAL ASSESSMENT

A well-developed organizational model and a high level of collective and individual capability are critical to design and implement successful strategy.

Putting in place a winning organizational model will require you to review organizational structure, identify capability requirements for strategy, benchmark your model vs. comparable competitors and identify requirements to close performance gaps.

A tough and honest assessment of an organization is one of the most valuable and most difficult parts of strategy. A thorough evaluation, as data driven as possible, can be broken down into seven related areas:



1 Organizational Structure –
Operating Principles



2 Collective Capabilities



3 Values Summary



4 Culture Diagnostic



5 Satisfaction/Style Profile



6 Individual Performance/Capability



7 Governance Assessment

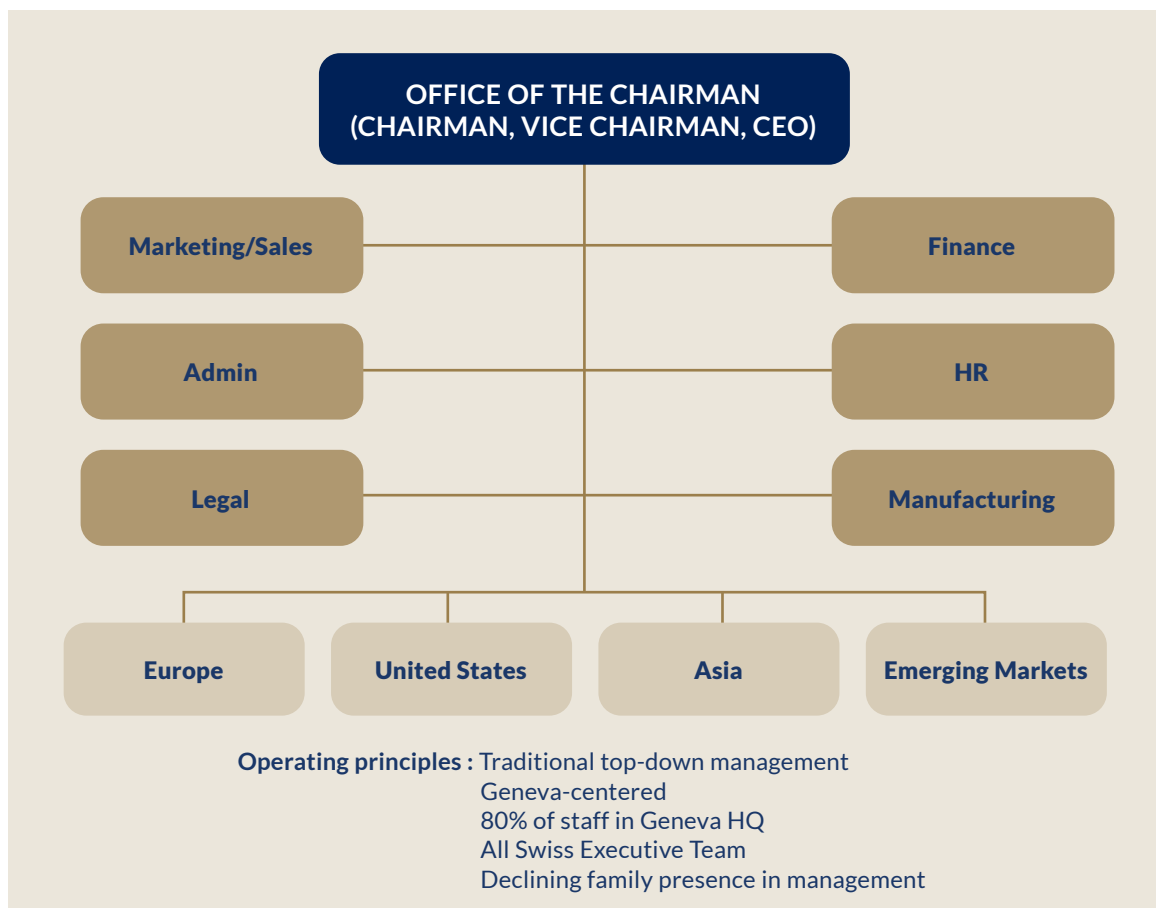




Acting early to address issues can have enormous long term benefit.

A thorough, data-driven assessment should include structure, operating principles, collective capabilities, values summary, culture diagnostic, satisfaction/style profile, and a framework to manage individual performance and capability.

1. Organizational Structure – Operating Principles



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2. Collective Capabilities

CURRENT AND LIKELY FUTURE INITIATIVES	SKILLS REQUIRED	CURRENT CAPABILITY SCORE (0-10)	COMMENT
Core business growth	<ul style="list-style-type: none"> • Distributor evaluation and management • Market knowledge • Alliance management 	8/10 7/10 2/10	<ul style="list-style-type: none"> • No foreign nationals in company • Weak in youth and female • No experience
New product design and launch	<ul style="list-style-type: none"> • Ladies' and sports ranges needed 	5/10	<ul style="list-style-type: none"> • Need to improve design/marketing interface
Acquisition	<ul style="list-style-type: none"> • Evaluation • Financial structuring • Integration 	2/10 3/10 0/10	<ul style="list-style-type: none"> • Only M&A transaction to date failed to add value • Little experience
HQ cost reduction	<ul style="list-style-type: none"> • Analysis/zero-based budgeting • Implementation 	4/10 4/10	<ul style="list-style-type: none"> • Mixed record to date • Good at thinking, bad at executing
New organization	<ul style="list-style-type: none"> • Design new approach • Reset compensation • Address cultural issues 	3/10 5/10 3/10	<ul style="list-style-type: none"> • Fear of change widespread • Factions may disrupt • Tough but necessary


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3. Values Summary

In order to understand what the organization stands for and to provide input to strategy, it is essential to clarify the current values upon which a business operates.

There are four elements to a critical values statement.

- **Internal positive values:** By which principles the company operates and how it is really seen by colleagues
- **External positive values:** What the brand stands for in the eyes of the customers, business partners, potential customers and other relevant constituencies
- **Internal negative values:** Characteristics of the business ethos which require fixing or improving
- **External negative values:** Plans or problems in public perception of the business, its people, priorities, products and services

In making these critical values summaries, it is worth noting the obvious – that only the positive need highlighting in any public document.

Values Summary - Matrix

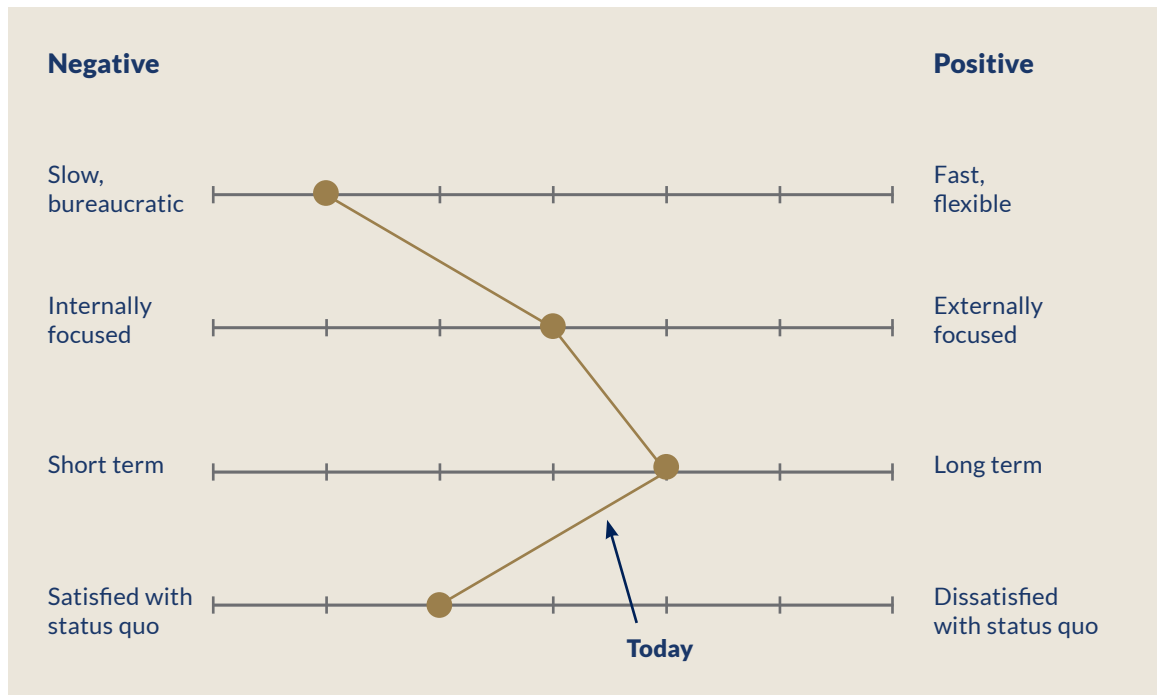
	INTERNAL	EXTERNAL
Positive	<ul style="list-style-type: none"> • Quality-centered • Conservative • Ethical • Swiss • Brand custodians 	<ul style="list-style-type: none"> • High quality • Elegant • Traditional • Exclusive/Expensive • Swiss
Negative	<ul style="list-style-type: none"> • Complacency • Bureaucratic approach • Overly conservative • Political • Lacking sense of social responsibility 	<ul style="list-style-type: none"> • Overpriced • Arrogant to deal with • Lack of creativity • Poor service reputation • Symbol of uncaring elitism



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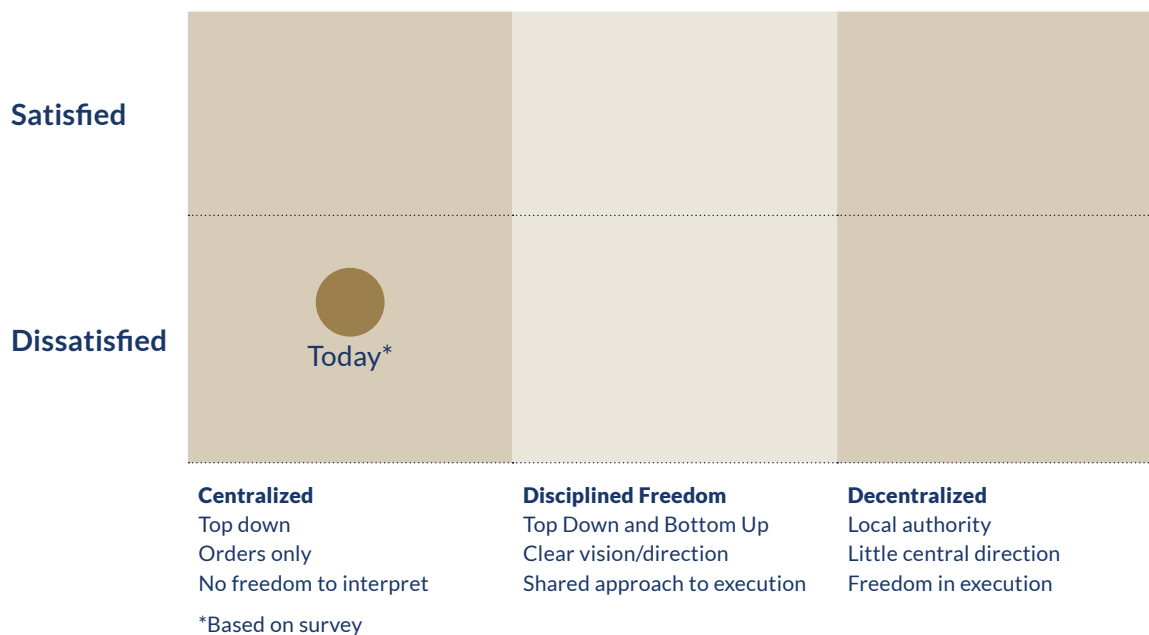


4. Culture Diagnostic: Key Factors



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5. Satisfaction/Style Profile



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6. Individual Performance/Capability

JOB	REQUIRED SKILLS	INDIVIDUAL	YEARS IN JOB	YEARS IN COMPANY	PERFORMANCE RATING AND COMMENTS	NEED TO CHANGE
Group CEO	Strategic design Implementation Motivation Change management	Name A	1	1	<u>New to job</u>	No
CFO	Cost control Investment Acquisitions Strategy	Name B	17	32	<u>Poor</u> <ul style="list-style-type: none"> Costs too high Acquisition of Perso a failure Entrenched "old school" attitude 	Yes
CEO Europe	Sales Brand management Distributor relations Pricing discipline Teaming	Name C	2	6	<u>Good</u> <ul style="list-style-type: none"> Creative High long term potential 	No


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Organizational Assessment: Effective Governance

Numerous studies have shown the correlation of good governance with better decision-making, stronger financial performance and more effective risk management and sustainability practices. The role of governance, along with good ownership, leadership, management, succession, planning and strategy, can be essential to the long-term health and prosperity of any business.

Good governance addresses those structures, policies and practices that have proven successful in the past, and ensures they evolve to stay relevant and effective in the future as well. This will benefit from a focused effort to set out the purpose of a board and its related activities, define its structure and operations, provide guidance to its leadership and put in place an approach to objective review and constant performance improvement.



7. Governance Assessment

Careful structuring and good management of a board are key elements of success in both public and private companies. The right size of the board, balance of skills, presence and role of non-executive independent directors, family members (if relevant), management of meetings and other factors are all aspects of good governance that owners need to ensure are being done well.

In many cases an annual review, completed by the Chair of the Governance and Nominating Committee, Lead Independent Director or qualified third-party expert, can be an essential step in keeping the board on track and getting the maximum benefit for all stakeholders in the enterprise.

Two related review forms, one for the board and one for its leader, could look something like the following:

Board Performance Assessment		
	Score 1-10: 1=low, 10=high	Score
1.	The frequency, length and quality of Board and Committee meetings	
2.	The size of the Board	
3.	The relevant experience and mix of skills of Board members	
4.	The Board's current Committee structure and operations	
5.	The quality and timeliness of delivery of Board and Committee papers	
6.	The quality of the organization, presentation and discussion of Board materials	
7.	The satisfaction of the individual director with the Corporation's strategy	
8.	The Board's level of awareness of the risks faced by the Corporation and the management of those risks.	
9.	Frequency and amount of time for discussion among independent directors without management present.	
10.	The program of director education and site visits	
11.	The Board's efforts in identifying, analyzing and discussing important issues	
12.	The degree to which Board meetings are candid and constructive	
13.	The degree of management's responsiveness to questions and issues raised by the Board.	
14.	The Board's most significant achievement in the past year:	
15.	The area of Board activity with the greatest room for improvement: (list)	
16.	Other items for consideration:	


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Chair and Committee Performance Assessment		
	Score 1-10: 1=low, 10=high	Score
1.	The Chairman prepares for and conducts Board meetings well	
2.	The agenda is respected and meetings are run in an effective and efficient manner	
3.	Meetings start and finish on time	
4.	The Board's current Committee structure and operations are well defined and work well	
5.	The Chair ensures that all directors get an opportunity in advance to set the agenda of Board meetings	
6.	The Chair ensures that all Board and Committee minutes are kept and follow up ensured	
	Committee Effectiveness: Clear Terms of Reference, High Quality Output, Focus on Value Creation	
7.	a. The satisfaction of the individual director with the Executive Committee	
	b. The satisfaction of the individual director with the Audit, Risk and Compliance Committee	
	c. The satisfaction of the individual director with the Governance, Nomination and HR Committee	
8.	The satisfaction of the individual director with the Corporate Social Responsibility Committee	
9.	The degree to which Committee meetings are candid and constructive	
10.	The Chair ensures that the strategy planning process operates in a professional and candid manner	
11.	The Chair ensures all meetings are run and directors included so as to ensure their full contribution can be made	
12.	The Chair ensures that Committee meetings allow sufficient time for creative thinking and a focus on value creation	
13.	The Chair ensures that the Management team are focused externally on markets and competitors, are fast and flexible in approach, long term in thinking and constantly dissatisfied with the status quo	
14.	The Chair sets a personal example of professional behaviour and respect of business values in and outside of Board meetings	
15.	Other items for consideration:	


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One of the key benefits of good governance is an effective program of risk management. Many historical family and family business disasters could have been avoided through better board oversight and timely action.

But good governance is all about opportunity as well as risk – finding and exploiting areas of potentially deep and lasting positive impact on the business - providing you with an understanding of the purpose, principles and practices that can lead to effective governance of your family enterprise.