



RAFFLES LEGACY LEARNING

BUSINESS STRATEGY MASTERCLASS

BOOK TWO - DEVELOPING YOUR OWN STRATEGY

PHASES OF STRATEGY II



MASTERCLASS COURSEBOOK



PRIORITIES AND RESOURCE ALLOCATION

In order to make your strategy as effective as possible, you will need to set clear priorities to achieve the highest return on investment and the highest level of operating performance.

The best seven-step approach to set and pursue a current set of priorities works as follows:

- Identify the imperatives for competitive advantage, setting out a specific list of objectives under each key lever on performance and value
- Draw up a long list of initiatives to respond to imperatives identified under the key levers. This list should contain existing as well as potential initiatives
- Assess the potential value of each initiative and the difficulty of implementation
- Array all ideas on the 2x2 matrix, allowing you to see both relative value and expected difficulty of implementation
- Draw a line of demarcation (the “cutoff line”) on the matrix which separates clearly those ideas in which you will invest and those which you will defer or avoid. This may require stopping or redirecting some existing initiatives
- For each selected priority, specify the resources to be allocated to support its implementation.
- Review the line of demarcation in the light of the resources required to ensure sufficient resource is made available on a timely basis to achieve the objective

The best approach to achieving an actionable set of priorities needs to be worked through, step by step.

First, make a comprehensive list of potential priorities which focus on the levers of performance and value. Second, place each on a priority framework which rates the expected value of each initiative against the estimated difficulty to implement. Third, select priorities, drawing a line between those initiatives which will be pursued and those which will not. Last, allocate resources.

A clearly defined set of priorities, and an equally clearly defined set of non-priorities, can guide resource allocation to those areas that will lead to the highest return on corporate and human capital.



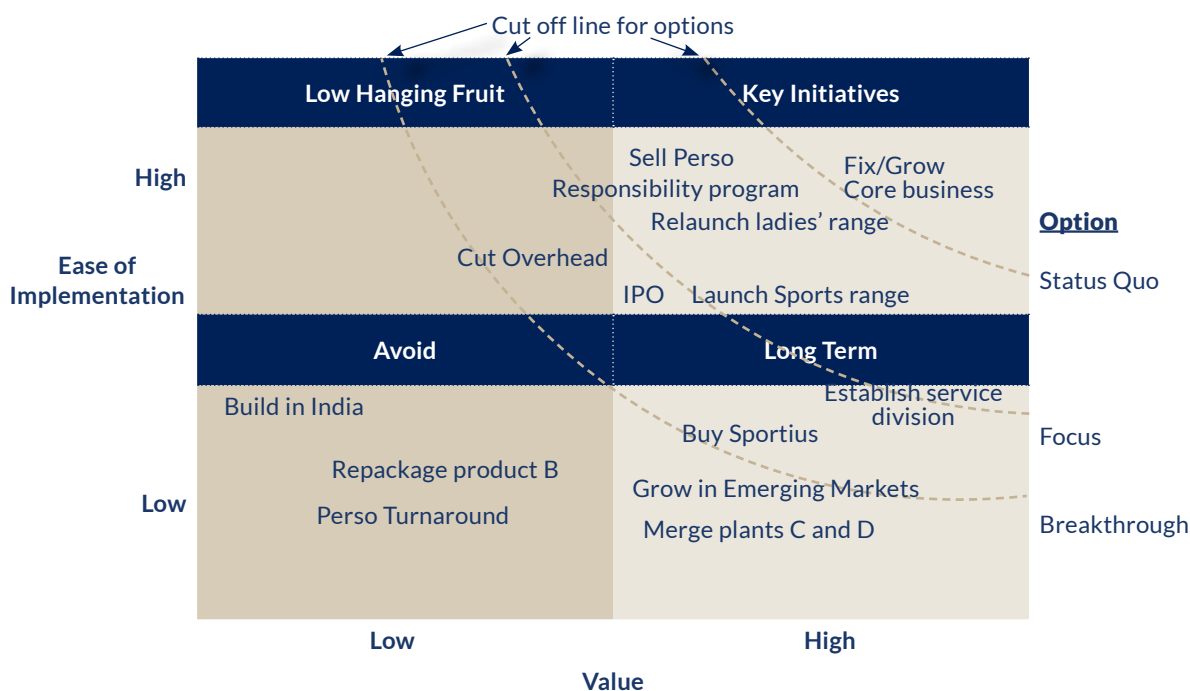


Long list of potential initiatives (examples)

Key Levers:	Potential Action					
	RELATIVE MARKET SHARE	BRAND VALUES	DISTRIBUTION PRESENCE	CUSTOMER SEGMENTATION	PORTFOLIO FOCUS	COST REDUCTION
	<ul style="list-style-type: none"> Restore growth in core Add sports range or Acquire Sportius Relaunch ladies' range 	<ul style="list-style-type: none"> New ad campaign to reinforce brand Redesign/ evolve classic Raffles models New approach to values/ responsibility Repackage product B 	<ul style="list-style-type: none"> Grow points of sale to 700 in third party retail Add 39 new owned outlets Build presence in India Grow in emerging markets 	<ul style="list-style-type: none"> Market research to identify key customers Interactive relationship program with customers Focus sales effort Raffles Collection roll out 	<ul style="list-style-type: none"> Sell Perso Leather Goods Exit all property holdings Add service and restoration division Consider finance and insurance (for watches only) 	<ul style="list-style-type: none"> Reduce overheads by 20% by year end Outsource non critical administrative functions Merge plants C and D Perso turnaround

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Selection matrix



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Resource allocations

TOTAL INVESTMENT			
Priority	US\$ million	People	Comment
• Launch sports range	(50)	6 full time	3 year program to roll out full range
• Sell Perso	75	5 part time	Investment bank to lead process Expected to raise \$75 million net of fees
• Buy Sportius	(300)	3 full time	Small team of transaction (many more to integrate if acquired)
• Cut overheads (cost)	(5)	5 part time	Cost in year one Benefits from year two
• Public listings (fees)	(10)	10 part time	Responsibility of CFO
• Other	(10)	20 part time	Coordination by COO
Total net pre-IPO costs	(300)		Overall co-ordination by CEO
IPO proceeds (est.)	300		Sell 30% of business to raise \$300 million


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