



RAFFLES LEGACY LEARNING

# **BUSINESS STRATEGY MASTERCLASS**

## **BOOK TWO - DEVELOPING YOUR OWN STRATEGY**

*PHASES OF STRATEGY II*



**MASTERCLASS COURSEBOOK**



## TARGET RESULTS

The target results can be usefully developed to match the graphic and written textual descriptions of your business set out in the first step in the first phase of strategy.

Financial results, strategic balance sheets, operating results, organizational changes, total enterprise value, and related trading multiple or share price targets can all be set as the objectives of your strategy program.

The results of individual initiatives and the overall performance of the business should be spelled out to ensure that the impact is measured, and that the strategy is indeed aimed at driving the performance of the business on a tangible basis to greater performance and success.

**One of the most essential tasks in the entire strategy process is to link the strategic exercise to the achievement of results in the real world.** This requires simple and clear measures of success.

Successful strategies can only be driven by managers with a clear set of targets indicating the performance required to implement the chosen strategy. These targets must be ambitious, credible and fully aligned with agreed strategy.





Target results to measure success or failure include:



**1** Resetting Key Levers



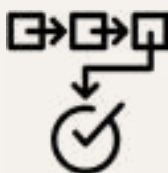
**2** Financial Results



**3** Future Impact from Strategic Initiatives



**4** Future Cashflow



**5** Future Balance Sheet



**6** Future Strategic Balance Sheet



Measures of external performance can include share of industry profit pool, share of key customer segment or share of consumer spend on luxury watches, relative service performance, and relative market position.

For example, one simple target result could be to double the return on equity to 14 percent, increase market value by 50 percent or fully extend the UK standard of triple-bottom-line accounting to the global organization.

Target results to measure success or failure include quantified measures for the key levers on performance and value as described above:

## 1. Resetting Key Levers

	CURRENT STATUS	TARGET RESULTS
Relative market share	<ul style="list-style-type: none"> <li>• #2 behind Zurich-Swiss</li> <li>• 0.8x size of Zurich-Swiss</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership restored</li> <li>• 2 x size of Zurich-Swiss</li> </ul>
Brand Values	<ul style="list-style-type: none"> <li>• Leadership position lost</li> <li>• #3 in ad spend</li> <li>• Fading values</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership restored</li> <li>• Highest unaided recall</li> <li>• Most aspirational values</li> </ul>
Distribution presence	<ul style="list-style-type: none"> <li>• 500 total distributors</li> <li>• 100 distributors in the United States</li> </ul>	<ul style="list-style-type: none"> <li>• 700 total distributors</li> <li>• 200 distributors in the United States</li> <li>• Change underperforming partners</li> </ul>
Customer segmentation	<ul style="list-style-type: none"> <li>• Don't know customers</li> <li>• Most valuable segment under-penetrated</li> </ul>	<ul style="list-style-type: none"> <li>• Full customer register</li> <li>• Customer value program</li> </ul>
Portfolio focus	<ul style="list-style-type: none"> <li>• Perso distraction</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio focus on watches</li> <li>• Sales of Perso</li> </ul>
Cost reduction	<ul style="list-style-type: none"> <li>• Cost/income ratio too high</li> <li>• Internal inefficiencies</li> </ul>	<ul style="list-style-type: none"> <li>• 20% reduction in overhead</li> </ul>

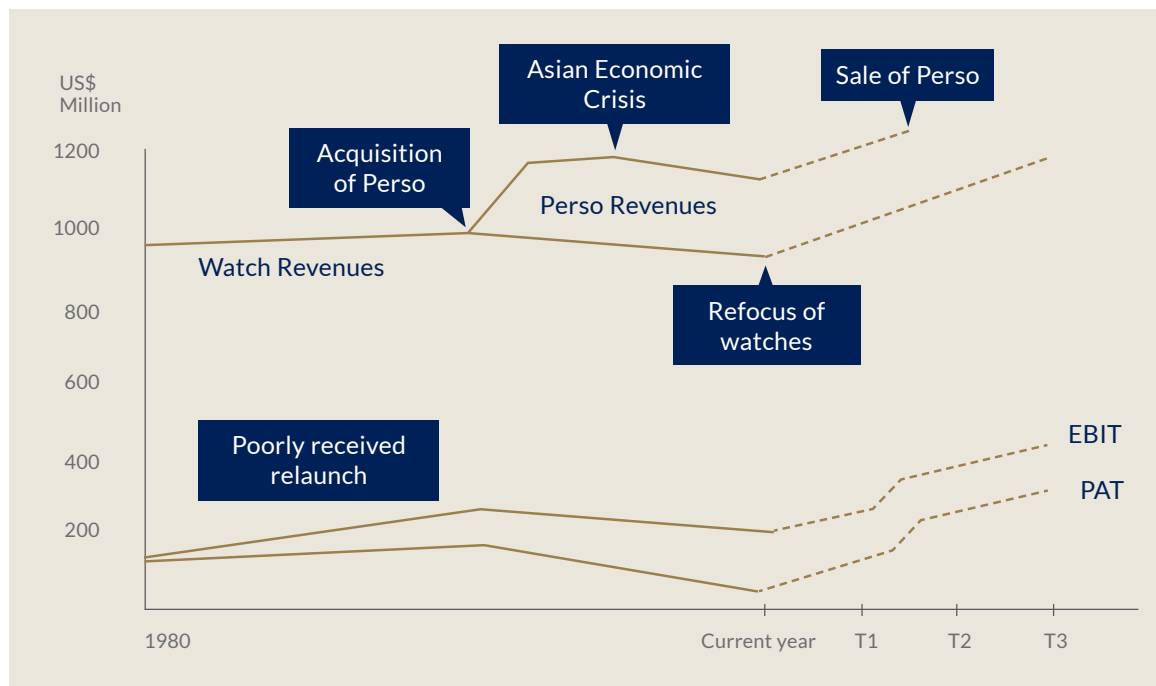


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In the spirit of focusing on priorities and investing differentially in a select set of levers on performance and value, it is useful to confirm that there is at least one target result for each lever and priority identified.

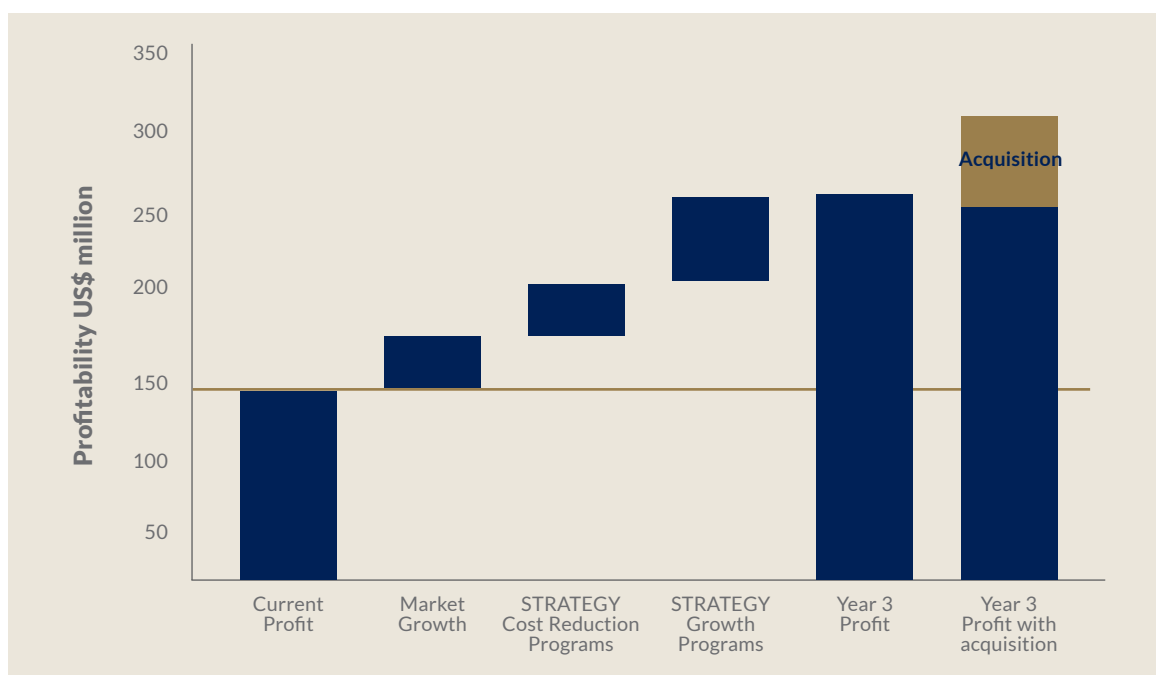


## 2. Financial Results



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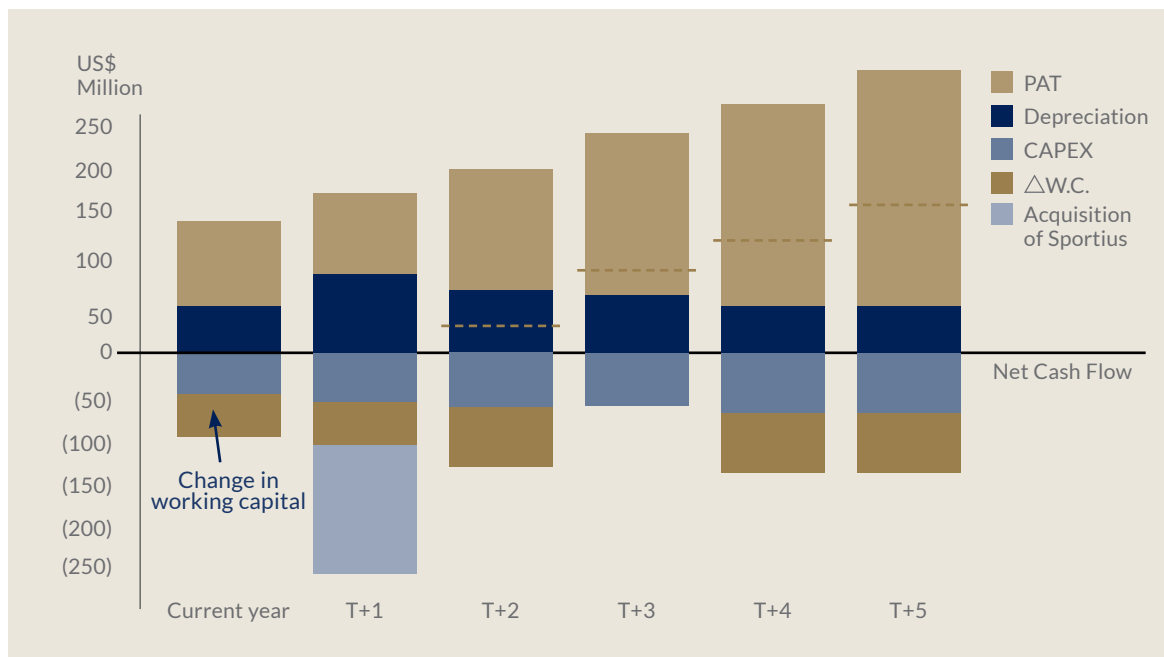
## 3. Future Impact from Strategic Initiatives – Year 3



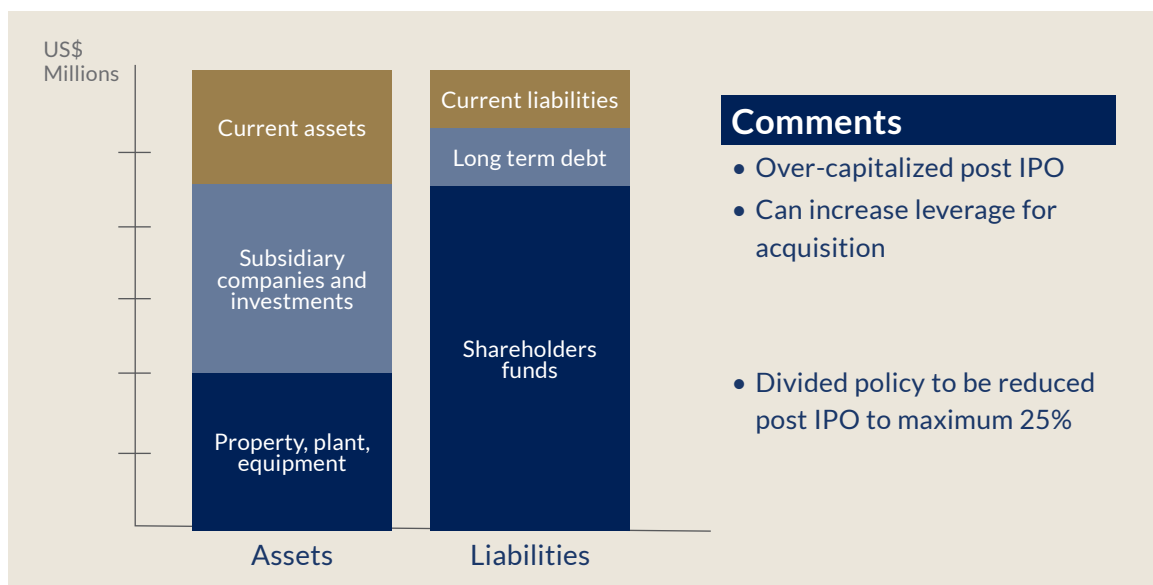
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## 4. Future Cashflow


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## 5. Future Balance Sheet (possibly past - IPO)


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## 6. Future Strategic Balance Sheet

ASSETS	LIABILITIES
"Hard" Strategic Assets	"Hard" Strategic Liabilities
<ul style="list-style-type: none"> <li>• Leading share in key segments</li> <li>• Most admired brand</li> <li>• 750 exclusive outlets</li> <li>• Product quality</li> <li>• Full range</li> </ul>	<ul style="list-style-type: none"> <li>• Unmet demand</li> <li>• Improving IT capabilities</li> <li>• Competitor range</li> <li>• Strong competitors</li> </ul>
"Soft" Strategic Assets	"Soft" Strategic Liabilities
<ul style="list-style-type: none"> <li>• Full, interactive customer relationships</li> <li>• Lean, effective team</li> <li>• Ability to integrate acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>• "Old World" culture</li> <li>• Family transitions coming up</li> </ul>


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## EXECUTIVE SUMMARY EXPLANATION

As for the Diagnostic Phase, a short Executive Summary is useful in reminding the group of the highlights in the Design Phase, serving as a final statement in the Targets Phase as well:

### EXECUTIVE SUMMARY: DESIGN PHASE

To achieve our vision and to double profit in three years. *Raffles Watches* needs to pursue a strategy with seven imperatives

IMPERATIVE	SUPPORTING ACTION
<ol style="list-style-type: none"> <li>1. Focus the business</li> <li>2. Regain leadership in luxury watches</li> <li>3. Achieve critical mass in new areas</li> <li>4. Restore growth in core segments</li> <li>5. Reduce costs</li> <li>6. Improve the organization</li> <li>7. Create strategic freedom/provide resource for major acquisition(s)</li> </ol>	<ul style="list-style-type: none"> <li>• Sell Perso</li> <li>• Redesign and relaunch core lines</li> <li>• Increase ad spend \$50 million</li> <li>• Launch Lady Raffles</li> <li>• Acquire Sportius</li> <li>• 7C's+Creativity approach</li> <li>• 20% overhead reduction</li> <li>• Tax review</li> <li>• New network model</li> <li>• Public listing <i>Raffles Watches</i></li> </ul>



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