

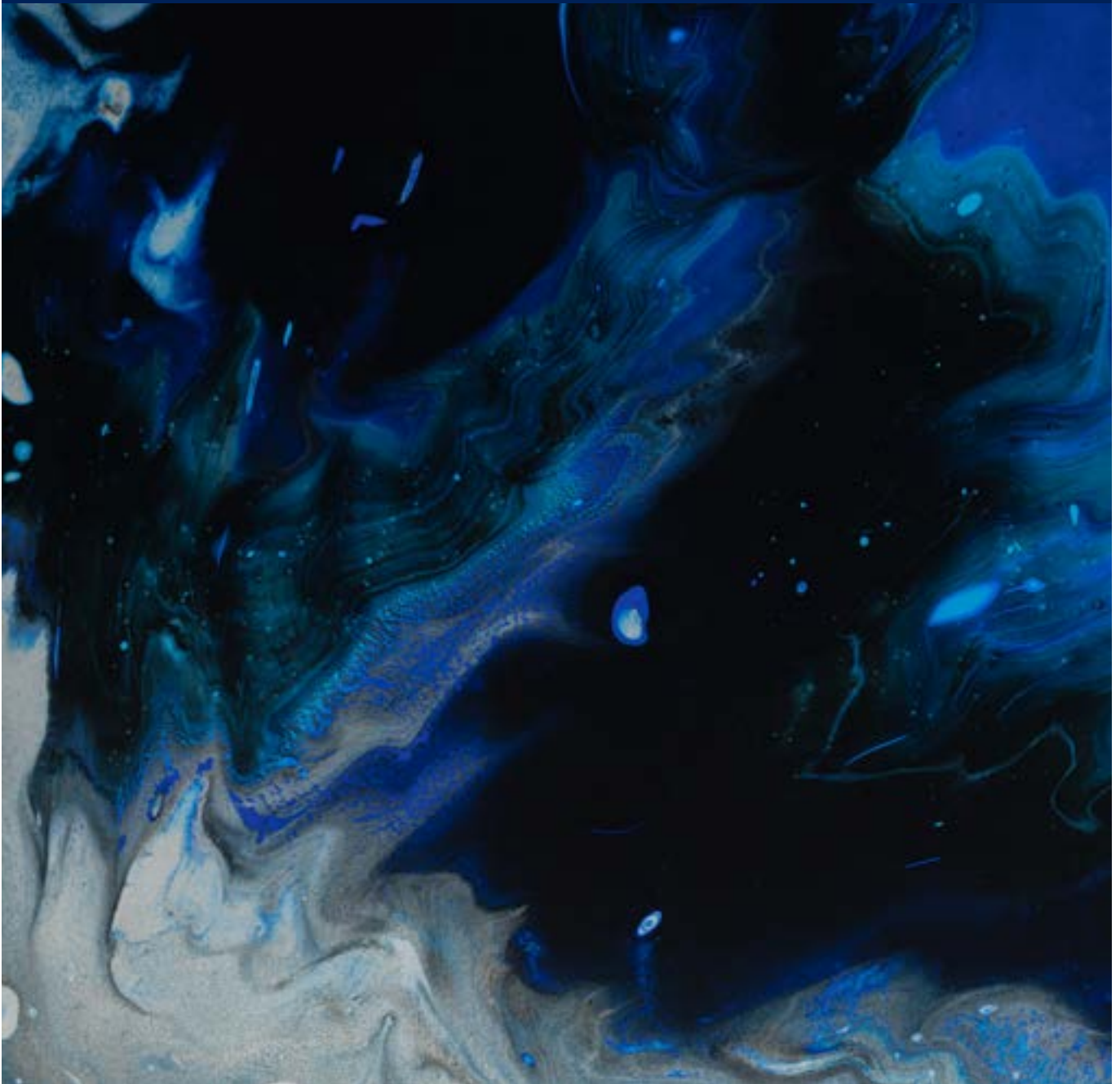


RAFFLES LEGACY LEARNING

BUSINESS STRATEGY MASTERCLASS

BOOK TWO - DEVELOPING YOUR OWN STRATEGY

PHASES OF STRATEGY III



MASTERCLASS COURSEBOOK



LEADERSHIP AND MOTIVATION

Effective leadership throughout the execution phase will require the full complement of leadership skills – setting an example of dedication, demonstrating proper values, communicating effectively, setting targets, working with internal and external constituencies, and providing central guidance to the process.

The exercise of leadership is one of the most important elements of strategy. By setting out a practical framework, the exercise of leadership can be more thoughtful, can make more impact and can contribute greatly to the success of your chosen strategy.

Strategy programs require both visible leadership – action-oriented leadership from the front – and supportive leadership from behind the scenes to ensure the best outcome.





There are seven steps in a successful leadership model:



1 Empower the Vision
and the Strategy



2 Live the Values



3 Engage and Motivate
Individuals



4 Go Beyond the
Conventional



5 Lead from the Front



6 Lead from the Center



7 Get the Job Done

The highest performance is only possible if hearts and minds are fully captured by the vision, the strategy, the plan of action, and the leader himself or herself.

This outcome also requires continual and effective communication.



1. Empower the Vision and the Strategy

The process of empowerment of vision in a strategy program is not only about the launching of the effort. How you treat the process and content during and after the exercise is also critical.

A large part of individual trust and inspiration for greater collective effort is driven by the single test of whether the path set by leadership is correct and appropriate. A great deal of respect, in a world driven ever more by intellectual capital and individual bandwidth, comes from the ability to process data and draw the right conclusions and implications. One of the most inevitably visible aspects of empowering a vision lies in articulating priorities and ensuring that they are respected.

While every individual can make a substantial contribution to the successful design and implementation of strategy, each and every individual within an organization is also a possible source of resistance, recalcitrance, and inefficiency unless convinced of the direction set by the leadership team.

2. Live the Values (demonstrate character through action)

In accepting a leadership role there is also a responsibility incumbent upon leaders to live the values promulgated, provide a model for behavior which respects the corporation's value summary, and demonstrate the higher values, which provide the foundation and guiding principles of an organization.

Among these values, there is none more important than integrity. Trust, faith, hope, and many other higher aspects of human emotion are tied up in the complex psychological act of accepting leadership from another individual.

Of all of the attributes of leadership, trust consistently emerges in research as the most valued by subordinates.



Other values which come out regularly at the top of polls are credibility, expertise, intelligence, and inspiration. The balance of values desired from leaders reflects the fact that the true essence of leadership is much more about individual behavior and moral value than it is about possessing any particular skill or exhibiting any one personal style.

Personal integrity and mastery of the self are the ultimate sources of power in business and in life itself.

3. Engage and Motivate Individuals (reach the heart of your organization)

In every organization the vast majority of individuals want to do a good job, learn and grow as they work, and contribute to the creation of something special. For many, there is a sense of unfulfilled promise and disengagement in what they do and a missing sense of a higher purpose.

By reaching the hearts rather than just the minds and financial interests of your colleagues, by responding to their need to contribute to something greater than their individual selves, you will be able to release new levels of energy for performance and change in your business.

4. Go Beyond the Conventional (set new standards of excellence)

No manager will ever achieve the more ambitious goals of strategy if he or she aspires only to be conventional in approach or average in result. None of the leaders who created great business success stories, from Henry Ford to Bill Gates, built a winning enterprise using someone else's blueprint.

While understanding that the past is always valuable, limiting oneself to that understanding is never the pathway to new standards of excellence and accomplishment. The essence of strategy lies in differentiation, in creativity and in the art and science of informed action to bring about change.



5. Lead from the Front (master the visible aspect of leadership)

The best business leaders are constantly mindful of the opportunities and risks inherent in the natural role of leadership from the front. Demonstrating clarity of vision and indicating collective direction is essential. Careful and effective communication is critical. Remaining positive is a valuable skill, even if it is personally taxing.

Promulgating and policing priorities and policies is particularly important. Disciplining and correcting is necessary, but needs to be done selectively, carefully, constructively, and almost always in private.

Finding and demonstrating a sense of confidence, common purpose, and belief is invaluable. Any hint of hesitation, disbelief, or uncertainty without a path to resolution can be potentially confusing and costly to an entire organization.

6. Lead from the Center (manage formal and informal networks)

While mastering the skill of visible leadership from the front, leaders must also master the more subtle skill of leading from the center, or even from behind, guiding the process with a less visible hand.

Modern leaders should take into consideration that technological and social evolution have combined to create a series of overlapping networks and informal communities within and across business borders, connecting businesses and influencing development in ways just beginning to be understood.

By mastering the art of the invisible hand, you can influence others to work together toward a desired outcome without overtly driving or dominating the process.

You can create the results you want, along with a pride of ownership and sense of accomplishment in a team, that a more direct and interventionist approach from above may never be able to foster.



7. Get the Job Done (move seamlessly from understanding to execution)

Simply put, many leaders fail because they just don't execute. Ensuring that you avoid this trap and get the job done, no matter how challenging the task, is the hallmark of an effective leader and a winning organization.

The best business leaders have much in common with star athletes. In addition to enormous pay packets, they are expected to lift the performance of an entire team and to outperform competition.

Performance psychologists, drawing from their analysis of the best performing world-class athletes, have identified a single, dominant psychological variable between their subjects. Surprisingly, the characteristic was not a desire to win.

The real motivator was a deep-seated fear of failure. By refusing to accept failure, by getting the job done no matter how daunting the obstacles or how fearsome the adversary, is a true test of world-class business leadership.



Leadership

KEY LEADERSHIP ATTRIBUTES FOR THIS STRATEGY	SELF-SCORED	TEAM SCORE *	CHANGE NEEDS
Empower the vision	8/10	8/10	Increase internal communications
Live the values	4/10	5/10	Leadership too remote
Engage and motivate individuals	5/10	3/10	CEO needs to spend more time explaining vision and imperatives
Go beyond the conventional	7/10	7/10	New strategy better
Lead from the front	7/10	3/10	Needs to avoid becoming too directive
Lead from the center	3/10	6/10	Needs to broaden team role
Get the job done	7/10	7/10	Deadlines not met

*Independent survey



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Communications program (key message in box)

Channel

TARGET AUDIENCE	PRINT MEDIA AND TV	POINT OF SALE MATERIAL	RRW NEWSLETTER	ONE ON ONE BRIEFINGS (OR SMALL GROUPS)	SPECIAL BROCHURE	WATCH FAIR BOOTH
Customers	New range, values	Values, range, Collection	●	●	New Range	●
Employees	Pride	●	STRATEGY update	STRATEGY. Cost reduction, organization	New Range	●
Distributors	New range, values	Values, range, Collection	●	Service program, New range	New Range	Full Range
Suppliers	New business potential	●	●	Service program, New range	New Range	Full Range
Industry experts	Update	●	●	Company update	New Range	Full Range
Equity analysts	Update	●	●	Company value	New Range	Full Range



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EXECUTIVE SUMMARY EXPLANATION

At the end of the presentation, it is essential to provide a clear and cogent summary of the strategy recommended. This will serve two purposes.

The first is to encourage the architects of the strategy to identify the highest priority elements of the strategy and ensure that they have been fully documented.

The second purpose is to provide the intended audience with a summary of the strategy for both understanding and debate.

You may want to present an Executive Summary at the start, at each stage, and/or at the end of your strategy presentation:

- 1. Short Form:** As set out below, a short form Executive Summary will present all major insights and recommendations in bullet point form on one page. The purpose of the short form summary is to list for discussion the key elements of the analysis and proposed actions. This approach is most useful in situations where the audience is informed about the business and prepared to discuss the implications of strategy without the need to review the facts and logic supporting the recommendations.
- 2. Long Form:** A longer version summarizing the facts and the logic as well as the recommendations, may be appropriate where the audience is less familiar with the business, or where the recommendations are particularly bold or controversial. Providing one or more summary pages on each phase of diagnosis, design and implementation along with selected back up will provide greater information for those charged with making important decisions about a company's future.



The summary should be as brief as possible and to the point. The less verbiage obscuring the recommendations, the better. The summary should be succinct and direct, but not be so brief as to obscure the richness of the strategy nor to reduce excessively the complexity of your proposals.

As Albert Einstein said - *“things should be made as simple as possible, but no simpler.”* No doubt there will need to be multiple iterations on the final summary, an exercise well worth the time that it demands.

To be practical, in some busy companies, the summary is critical since it is all that may ever be read by senior executives or board members.

With either long or short form of summary there should be no hiding or blurring of tough conclusions, no pulling punches on the actions recommended and no obscuring degree of envisioned change.

In the Beginning is the End - Sometimes

The US Army has a simple rule on how to communicate in order to be remembered which requires the speaker or presenter to make the same point three times:

- First, tell them what you are going to tell them
- Second, tell them
- Third, tell them what you told them.

This means that each member of the audience will have heard the key message three times rather than once and is far more likely to remember accurately the content of the communication.

Applying this rule to a strategy presentation would require the presentation to provide an overall Executive Summary up front, followed by another summary slide at each phase in the body of the presentation and another copy of the same initial Executive Summary at the end.

In most cases, this is the recommended format for a strategy presentation.



In some cases, however, it may be better to bring your audience through the data and logic step by step before presenting a bold strategy or controversial recommendation. In such situations, starting with an Executive Summary may ignite heated debate on the initial slide rather than waiting to get all of the facts and views underlying the recommendation out on the table before initiating a discussion.

By holding back on the Executive Summary until the end, there could be a higher quality debate and a greater likelihood of major change initiatives being adopted.

EXECUTIVE SUMMARY IMPLEMENTATION

The implementation program will be overseen by a Special Board Committee with a core operating team led by the CEO. Five dedicated teams will provide the bulk of the effort. Key dates for completion are as follows:

Core business:	<ul style="list-style-type: none"> • new men's range to be rolled out ASAP • new ladies' range to be launched • sports range launch 	<u>Completed by</u> Q2 next year Q1 next year Q3 next year
Portfolio focus	<ul style="list-style-type: none"> • sale of Perso • potential acquisition of Sportius • expand distribution network 	start asap Q2 next year Q4 this year
Organization	<ul style="list-style-type: none"> • reduce costs by 20% at HQ • redesign organization • staffing changes completed 	Q4 this year Q2 this year Q2 next year
Capital structure	<ul style="list-style-type: none"> • IPO • Commercial paper program 	Q4 next year post-IPO

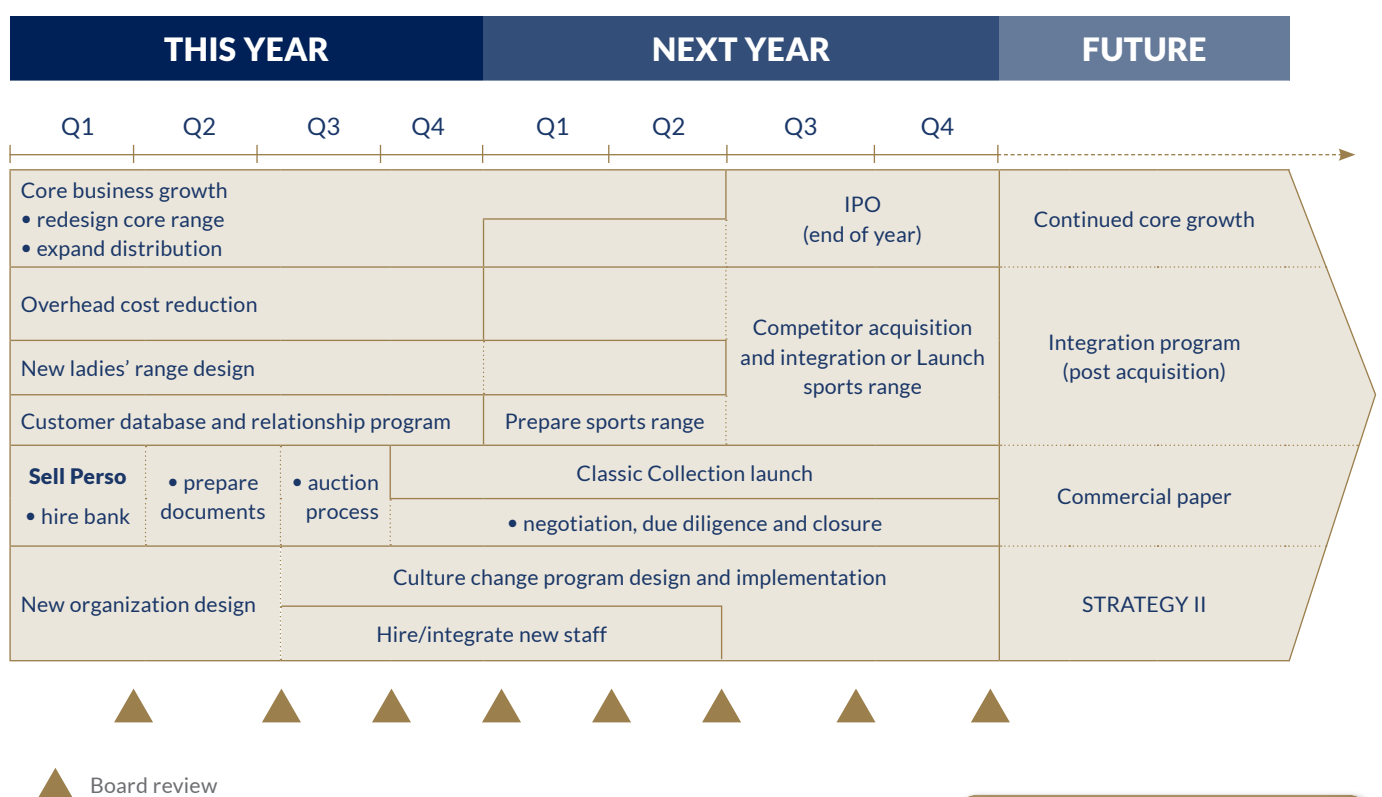

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Implementation schedule

The implementation program will be overseen by a Special Board Committee with a core operating team led by the CEO. Five dedicated teams will provide the bulk of the effort.

Key dates for completion are as follows:



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EXECUTIVE SUMMARY VALUE

An Executive Summary should explicitly confirm that all seven sources of value have been fully exploited.

- Content
- Customer
- Capability
- Capital
- Option
- Contingency
- Full Potential

VALUE SOURCE	COMMENT
Content	<ul style="list-style-type: none"> • Need to monitor first STRATEGY exercise on all dimensions to ensure precedent of effective process built into company culture
Customer	<ul style="list-style-type: none"> • Build database of customers and serve better • Assess options for creative, interactive approach
Capability	<ul style="list-style-type: none"> • Roll out European sales approach to Asia
Capital	<ul style="list-style-type: none"> • Improved strategy allows reduction in cost of debt • Can build in greater balance sheet flexibility • Follow IPO with commercial paper program
Option	<ul style="list-style-type: none"> • Create opportunity for further mergers/acquisitions in future • Increases value of company for potential future sale
Contingency	<ul style="list-style-type: none"> • Acquisition, capital markets, and Perso sale major risks, with own sports range launch, delay (IPO) and keep/fix (Perso) all acceptable contingencies
Full Potential	<ul style="list-style-type: none"> • Achieves industry leading ROE and highest value listed enterprise


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EXECUTIVE SUMMARY CONCLUSION

We have concluded a detailed strategy exercise over the past six months, drawing from 15 senior executives and over 100 colleagues around the company.

Raffles watches is one of the world's leading luxury watch companies, with sales exceeding \$1billion and profits of \$150 million in the past financial year. Our brands are among the most esteemed in the chronometer, pocket watch and men's luxury watch segments.

Despite these successes, Raffles performance over the past decade has not been satisfactory. We have:

- Lost leadership in our core men's luxury watch sector
- missed out on high growth opportunities in sports watches
- acquired Perso, which failed to meet expectations
- allowed our organization to stagnate relative to competition
- failed to manage cost sufficiently, especially at HQ

With a new CEO nominated earlier this year, we are well placed to undertake a new direction. Having reviewed our current situation and assessed all options on an intensive basis, our recommendation is to undertake a transformation strategy at Raffles. The key elements of that strategy are:

- sale of Perso to refocus on our core business
- investment to redesign and re-launch core mens' and ladies' lines
- launch or acquire a sports watch brand, with an industry leadership goal in 5 years
- grow distribution network to cover all geographies
- restructure and re-staff the organization
- cut HQ costs by 20%
- prepare for an IPO 2 years from now



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EXECUTIVE SUMMARY CONCLUSION (CONTINUED)

Pursuing this strategy successfully should enable us to:

- restore leadership in the luxury watch business
- double profits in three years
- end Perso distraction
- improve organizational morale and performance
- Increase the current value and future prospects for our business

The strategy carries with it a set of specific risks (ownership, organizational, financial) which we believe we can manage successfully.

The implementation timetable will take 3 years:

- an intensive first twelve-month phase to sell Perso, reduce costs, prepare re-launch of core products, spec out a new organization, and upgrade the distribution system
- a second twelve-month phase to implement the proposed organizational change fully, pursue the acquisition of Sportius or another sports watch company and prepare for an IPO.
- a final phase in year three to integrate the target sports watch company, capture benefits of the IPO to improve our balance sheet and prepare the company for faster profitable growth and further industry consolidation.



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