STRATEGIC TRANSFORMATION

Thursday 5 November 2020

MOORE Kingston Smith

AGENDA

- Current market position & changes post Covid-19
- Profitability analysis & cash flow modelling
- Strategy development
  - Customers and market
  - Competitors and industry
  - Your company
  - Bringing it all together
- Strategy implementation

CURRENT MARKTET POSITION AND CHANGES POST CORONAVIRUS

DON'T JUST SURVIVE BUT THRIVE!

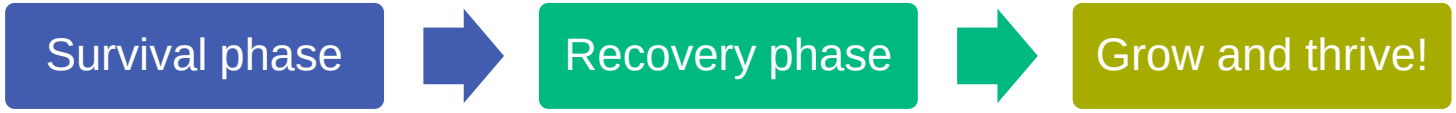
- The economy was performing well
- Most businesses were seeing good levels of profitability

BUT

The impact of Covid-19 outbreak has been very significant across a large number of sectors

Common themes:
- Falling turnover levels
- Productivity/utilisation rates falling
- Desire to retain employees and maintain engagement levels
- Strain on cash resources

How have we been helping clients to ride out this period and look to thrive in the future?



PROFITABILITY ANALYSIS AND CASHFLOW MODELLING

KEY CONSIDERATIONS

- Where is the business making money
- Any loss making clients/customers/products
- What are the key market trends etc

IT ALL COMES DOWN TO MANAGEMENT INFORMATION

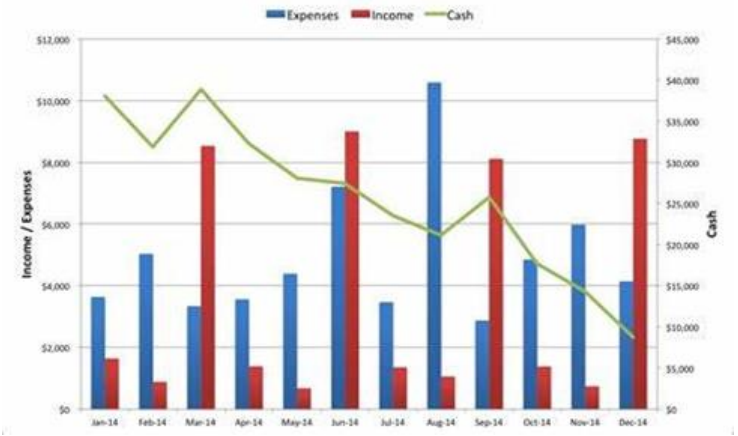
- Is it accurate and in real-time?
- Does it provide insight into profitability by client/customer, product, markets etc
- What reports do you get from it?
- Can you use the information to drive decision making?
- Benchmark against your competitors

PROFITABILITY ANALYSIS AND CASHFLOW MODELLING

Cash flow modelling

- Understand the timing of cash pinch points
- Repayment of Government initiatives – VAT deferral, PAYE/NIC TTP arrangements, CBILS, Bounce Back loans etc.

It’s crucial to provide an oversight of what needs to be done to keep the lights on



STRATEGY DEVELOPMENT

HELPING CLIENTS LOOK LONGER TERM AND UNDERSTAND THE STATE OF PLAY

Situation assessment: understanding external context against which to evaluate performance/options and develop strategy

Prioritising/executing levers that will deliver growth/EV objectives

1. Who are our target (current and prospective) customers and what do they want/need?

2. What is the state/intensity of competition in our industry?

3. How are we performing in the context of (i) our objectives and (ii) our market/industry environment

4. What should our strategy be?

5. How do we ensure that we successfully execute our strategy/plans?

STRATEGY DEVELOPMENT – CUSTOMERS AND MARKET

Customers/market (external focus) – every company must define who are their target clients and why.

Those that understand the market they operate in and their customers wants/needs are the ones that **thrive.**

Concentrate on needs and perceptions – does your proposition meet those needs?

Series of questions to answer such as:

- Who are our (current and prospective) customers and what do they want/need?
- What are the characteristics of customers who buy from us, and those we have lost?
- What are the Trigger Points which cause the customer to buy?
- Are there any dynamics at play in our customer's industries (e.g. consolidation; new purchasing behaviours etc.) that might impact future purchasing trends (and therefore present potential risks or opportunities)?
- What new markets (segments/products/territories) could we target? Why? How do we evaluate the attractiveness of these new markets?

STRATEGY DEVELOPMENT – COMPETITORS AND INDUSTRY

Competitors/industry (external focus) – What is the current state of play in your industry and how intense is the competition?

Fully understand what your competitors are offering and how you can demonstrate added value. Why should your customers continue to use you and what are the key messages to new clients?

Series of questions to answer such as:

- What are our objectives and plans? Why?
- What are we exceptionally good at?
- What are we offering/delivering?
- What do current financials tell us about what works well/doesn't work well? Profitability by product/client etc
- How are we positioned/do we perform against competitors and industry benchmarks?

STRATEGY DEVELOPMENT – COMPANY

Company (internal focus) – How are we performing in the context of our overall objectives?

Fully understand your mission and overall vision for the business.

Series of questions to answer such as:

- What are our objectives and plans? Why?
- What are we exceptionally good at?
- What are we offering/delivering?
- What do current financials tell us about what works well/doesn't work well? Profitability by product/client etc
- How are we positioned/do we perform against competitors and industry benchmarks?

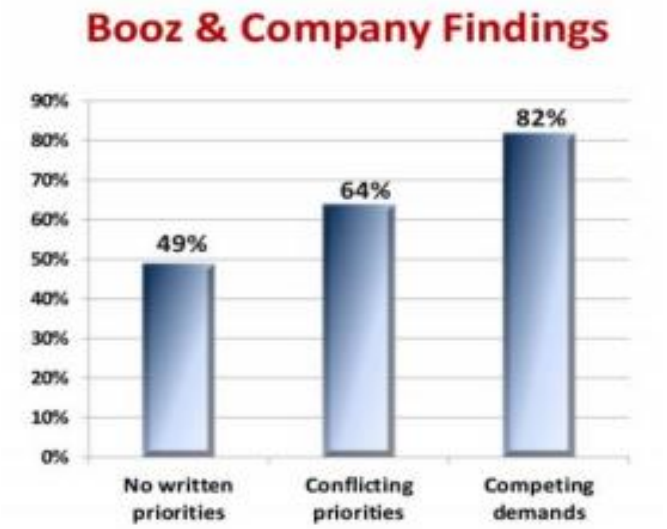
STRATEGY DEVELOPMENT – BRINGING IT ALL TOGETHER

Following 3C's, consider what issues you have identified:

- Business development
- People
- Operations
- Finance
- Strategy

Must prioritise and focus resource on the vital few breakthrough goals

Ensure right processes are in place to measure progress and success



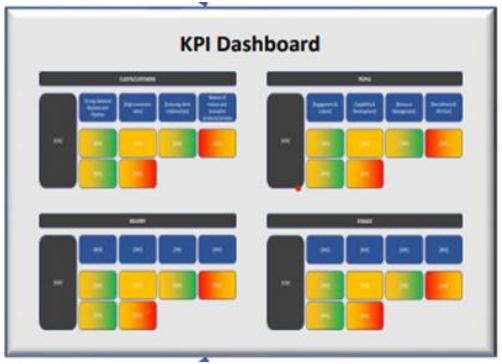
STRATEGY IMPLEMENTATION

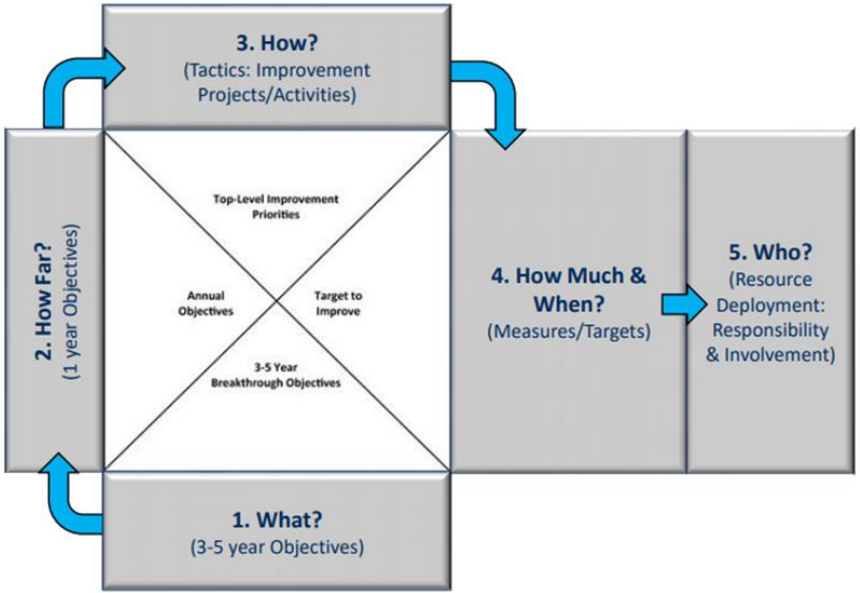
Use of a Strategy Implementation Matrix:

- Align goals throughout organisation & cascade through different levels, for example, board level, department level etc.

The key is creating a better balance between tactics, measurement and who to deploy

KPI dashboard and balanced scorecard





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SUMMARY

- Decisions must be taken in light of real-time information. Remember the bad and ugly strategies tend to go off gut feel.
- Analyse profitability by product/service line in order to make informed decisions.
- Actively forecast cash flow to ensure any decisions are taken with available cash in mind – crucial now more than ever.
- Consider the three key areas when starting to develop your strategy:
  - Customers
  - Competitors
  - Company
- Start to develop strategy by combining all three of the above and prioritising efforts on the critical few initiatives that will deliver the most value.
- Ensure measurement of all key objectives – use of a KPI dashboard.
- Bring it all together on one page!

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