

# *The Perfect 4-Week Strategic Review*

*A step-by-step guide to producing an elite strategic review.*



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## What is a strategic review?

A strategic review is a structured process to identify new value creating opportunities within a business. This could be about improving the performance of an existing division, or taking advantage of a new market adjacency opportunity. Many companies undertake strategic reviews on an annual basis as part of their strategic planning process. Other businesses will undertake them on a more ad hoc basis when presented with a specific opportunity or problem within the business. A change of ownership or appointment of a new CEO can often trigger the need for a strategic review of the business as a way to clarify the key areas of opportunity and challenges within the existing portfolio.

Whatever its origins, a strategic review should be a clear fact-based analysis of the business opportunity or issue. It provides an opportunity to step back from day-to-day operations to assess the strategic foundations on which a business is built. The outcome of a strategic review should be a clear set of strategic recommendations and a future roadmap for the business that charts its course and enables increased and sustained performance now and for the future.

## The benefits of a strategic review

When conducted well, a strategic review can deliver significant benefits to a business. In addition to the direct financial benefits of improving performance and targeting new growth opportunities, the process itself can improve alignment between employees, senior management teams and other key stakeholders, helping to drive a high performance culture and clarity on the future direction of the business.

## Typical benefits from a strategic review of a business area



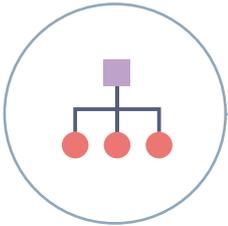
### Strategic

- Clarity over the key drivers of strategic advantage
- Consensus at senior levels in the organisation
- Enables a sustainable position of competitive differentiation



### Financial

- Improved financial outcomes
- Improved capital allocation and return on capital



### Operational

- Organisation structure aligned with the strategy
- Core processes that reinforce key sources of competitive advantage



### Employee

- Understanding of the overall strategy and of the role that each individual can play in supporting the strategy
- Improved staff engagement and alignment with the business objectives



### Board / Equity Owners

- Effective oversight of management recommendations
- Improved alignment with the management team

# Scoping a strategic review

The scope of a strategic review should be tailored to the specific opportunity or issue to be investigated. In setting the scope, a number of the questions outlined below are likely to be relevant:

## *Typical scope for a strategic review of a business unit*

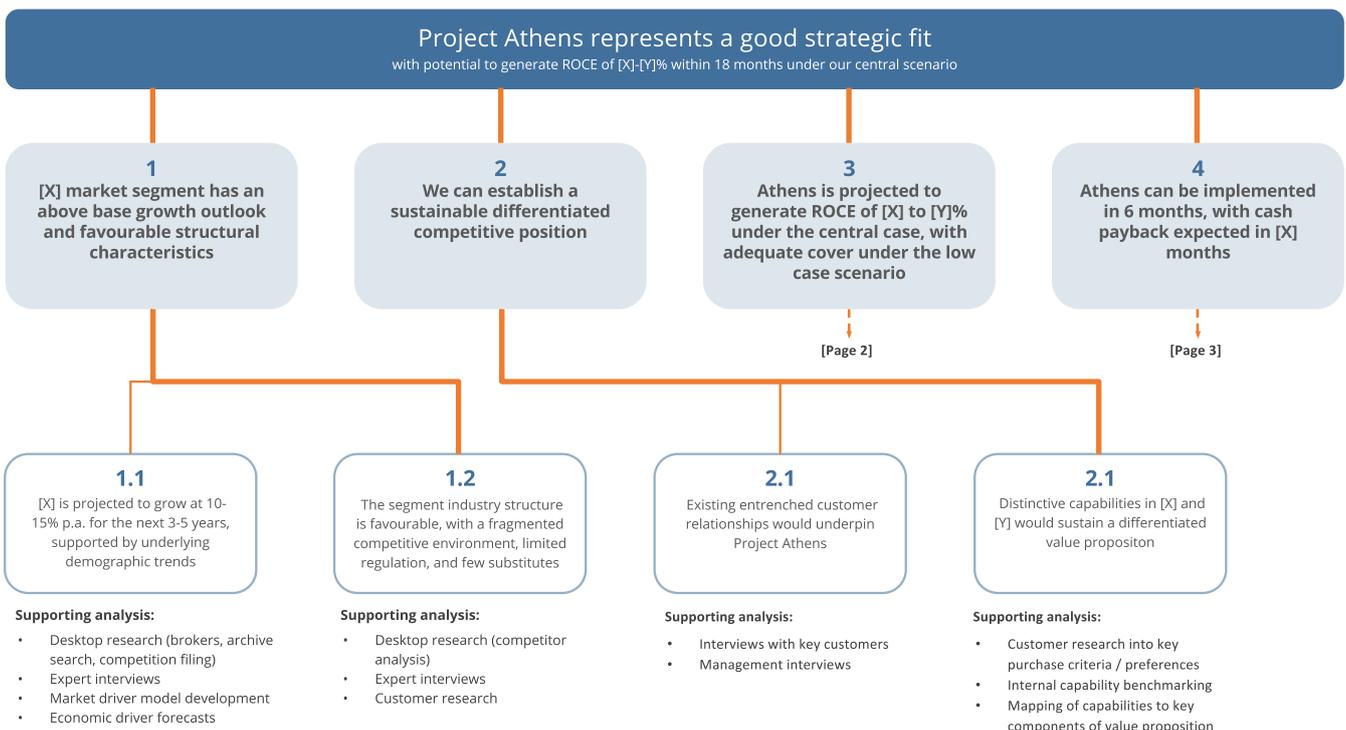
Area	Key outputs	Questions to address
Market	<ul style="list-style-type: none"> <li>Market size</li> <li>Growth outlook</li> <li>Profile of key customer segments</li> <li>Key trends</li> </ul>	<ul style="list-style-type: none"> <li>How big is the market, and what is the growth outlook? What are the key underlying drivers of market growth, and how volatile are these drivers?</li> <li>How does the market break down into customer segments? What are the characteristics of each segment? Which segments are the most attractive?</li> <li>What are the key trends or emerging developments within the industry (e.g. new products, disintermediation, M&amp;A, technological disruption)?</li> <li>What adjacent markets are potentially addressable?</li> </ul>
Strategic positioning	<ul style="list-style-type: none"> <li>Competitive positioning</li> <li>Strategic capabilities</li> <li>Strategic weaknesses</li> </ul>	<ul style="list-style-type: none"> <li>What is the core of our value proposition?</li> <li>How do we compete within the market (e.g. price-led, premium service positioning, technological innovation)?</li> <li>What are the key strategic capabilities that underpin our competitive positioning (e.g. R&amp;D, unique products, customer relationships, economies of scale)? How can we build on these strengths?</li> <li>What are our main areas of weakness? How are these impacting on our performance? How can we address them?</li> </ul>
Internal	<ul style="list-style-type: none"> <li>Organisation structure review</li> <li>Key process review</li> <li>Culture assessment</li> </ul>	<ul style="list-style-type: none"> <li>How aligned is our organisation structure with our strategic positioning and market segmentation?</li> <li>How effective are our core processes?</li> <li>How aligned is our culture to our strategic positioning?</li> </ul>
Financial analysis	<ul style="list-style-type: none"> <li>Historical financial performance</li> <li>Underlying financial drivers</li> <li>Forecast financials</li> <li>Associated capital implications</li> </ul>	<ul style="list-style-type: none"> <li>What are the key drivers of financial performance?</li> <li>What financial impact can we achieve beyond this through our strategic roadmap?</li> <li>What are the incremental capital requirements? How can these be funded?</li> </ul>

# Delivering a successful strategic review

## Start with the answer

Strategic reviews are often undertaken under considerable pressure to get to an answer rapidly. Every day needs to count. You can't afford to spend time on research or analysis that doesn't make the final cut. The leading strategy firms therefore adopt a hypothesis-led approach to strategy formulation (e.g. McKinsey's Decision Tree or Bain's Answer First approaches).

## Mapping out the answer on day 2



By the end of day two of the project, you should have completed preliminary interviews with the relevant stakeholders and have a good understanding of the existing available data. This is a good time to be mapping out the potential answer and logic structure that will underpin the remaining activities. A good structure will be logical, cover all the relevant factors that underpin the

recommendation, and avoid duplication of analysis (mutually exclusive and collectively exhaustive).

Having defined the logic structure, you can then identify where the gaps are based on your current state of knowledge, and therefore where additional analysis is needed to test an assertion or element of the recommendation. This then becomes the basis of a focused work plan for the remainder of the project.

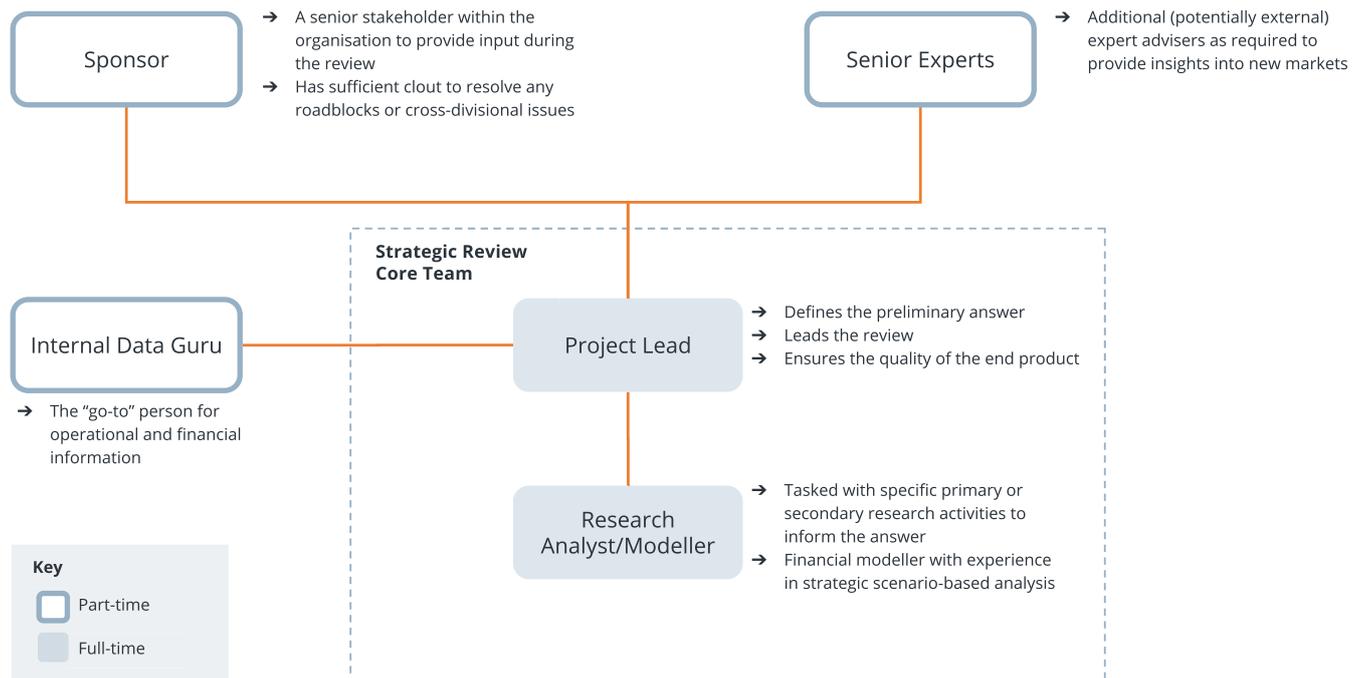
## **Be 80/20**

When operating under a severe time constraint, it is critical to be 80/20 in undertaking new analysis. Feedback from customers can be key, for example when considering a market adjacency opportunity or a turnaround of an existing business. A four week timeframe is not long enough to undertake a major program of primary research. However, a short focused online survey or series of telephone interviews with key customers can nonetheless achieve a lot in a short space of time and help to bring the recommendations to life.

An 80/20 mind-set is particularly important when it comes to financial modelling. Financial models are typically used in strategy to illustrate the incremental financial impact of a recommended course of action over a base case. Strategic financial modelling requires a different approach to the detailed budgeting and other financial analyses that are typically performed within an organisation. The model should be stripped back to the smallest set of core assumptions that enable alternative strategic scenarios to be assessed and compared to an underlying base case. A detailed analysis of working capital or tax liabilities is rarely necessary at this level of analysis.

## Allocate dedicated project resources for the review

Although the exact composition of the project team to conduct the strategic review will depend on the precise scope, the following team structure is not a bad start:



Some or all of these roles may be company resources allocated to the review. The core team structure involves a project lead, who would typically be full-time, plus potentially one or more supporting analysts / modellers depending on the scale and complexity of the review. A project sponsor is needed to oversee the review. The project sponsor should be a member of the senior management team who can provide guidance and review during the project, and resolve any internal roadblocks to the analysis. If the analyst / modeller is an external resource, it is also useful to have an allocated internal resource with a good understanding of the company’s operational and financial data. In addition, where the review involves a new market or product opportunity, advisers with expertise in the relevant area can add significant value based on their experience.

## **Allow enough time to produce a good report**

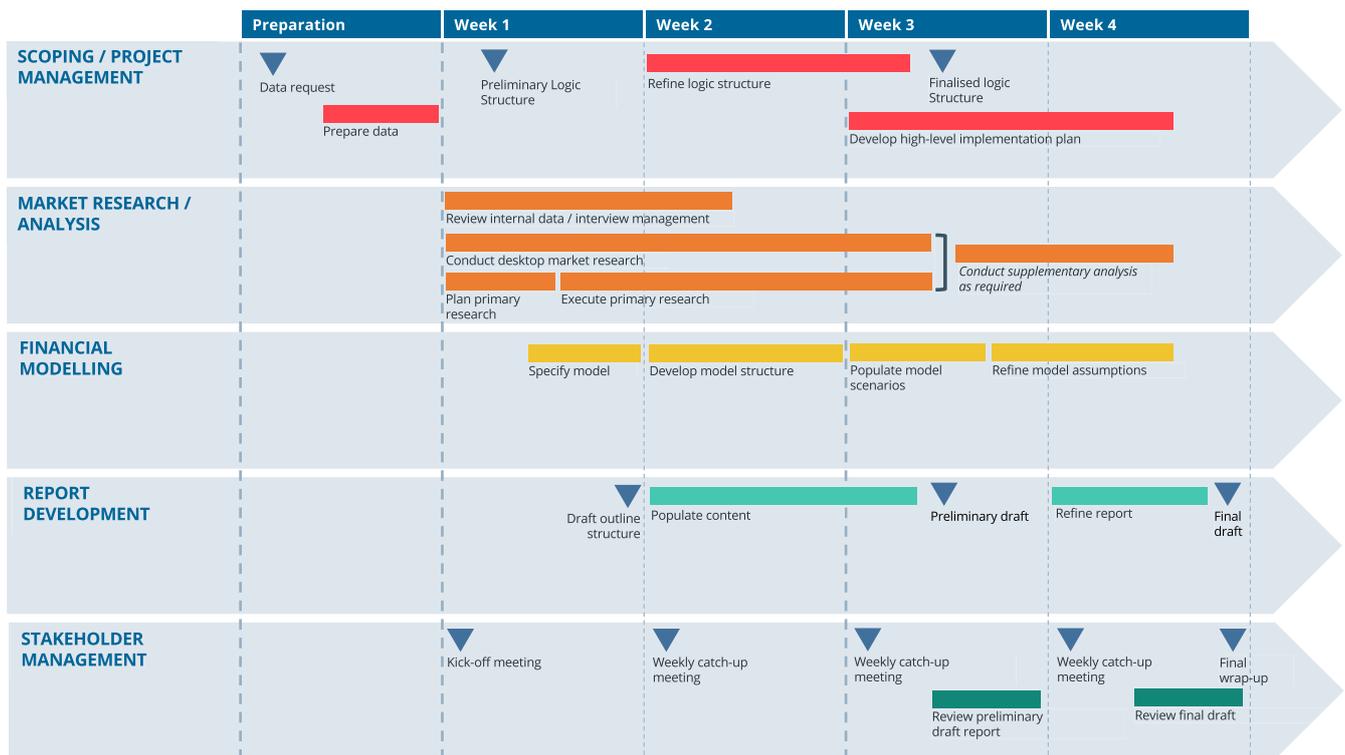
You should not underestimate the time required to distil complex strategic analysis into a clearly presented and logically structured report. It's therefore good practice to start planning well in advance of the final week. I try to have an initial draft outline of the report developed by the end of week 1. Having the end output in mind early on also helps to maintain an 80/20 focus across the project team on the key analysis that is required.

## **Build in time to think about the implementation**

A strategic review is a waste of time unless it is accompanied by a clear call to action and plan of attack. As well as making clear and logical recommendations, it must also set out how those recommendations would be implemented. Within a four week timeframe, it's not going to be possible to set out a detailed implementation plan. Nonetheless, a high-level view of the implementation roadmap detailing the key initiatives to be implemented and expected timeframes helps to bring the strategy to life and can form the basis of a more detailed program plan.

# Summary

Conducting a strategic review requires the coordination of a range of analytical activities, financial modeling, stakeholder management and report development (see below for an illustrative schedule for a four week review).



The principles outlined above are vital when attempting to complete a strategic review in a four week timeframe. However, a disciplined approach underpinned by a clear logical framework and a pragmatic analytical approach can significantly increase the success of the process, irrespective of how long you have to complete the work.

# How we can help with your strategic review



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