

# Commercial Awareness

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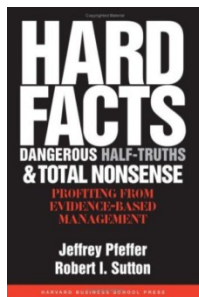
This is a generic outline. It is normally adapted to meet the specific requirements of each organisation. All of the programmes that we offer are related to commercial awareness, as our name suggests. On our website there are many outlines relating to specific elements of commercial awareness, such as finance or marketing. The modular design approach that we use means that we can create a programme using modules from a variety of the more specific courses.

The outline below, therefore, is simply one option.

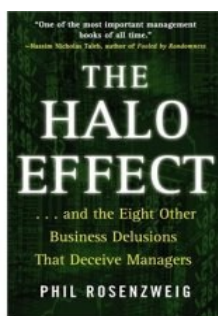
## Overview

This programme has been designed to provide managers with the skills, perspectives and tools that they require to make the most effective decisions – decisions that are in-line with your organisation's strategy and financially astute.

The pace and complexity of change in the business world means that managers need to evaluate constantly what they are doing in every area. There are no easy answers – how could there be. Despite the regular stream of books from academic gurus and business leaders, a moment's thought would confirm that every business situation is unique: what worked for Jack at GE will not necessarily work for your organisation and moving from good to great will not happen by rigorously applying a set of universal principles.



“We kept hearing again and again, ideas that are partly right at times, but are flawed and misleading often enough to get organisations into serious trouble. There’s simply no formula that can guarantee success.”



“In spite of our desire for simple steps, the reality of management is much more uncertain than we would often like to admit.

There’s simply no formula that can guarantee success.”

Every business situation is unique – and tomorrow, it will be unique in a different way. There is no status quo. Competitors, suppliers and customers are all making decisions and acting. A manager needs to constantly re-assess and make decisions.

This programme has been designed to help managers cope with the enormity of that task, not by recommending some universal, imaginary panacea but rather by providing frameworks, tools, perspectives, theories and case studies. These do not in themselves provide the answer; their role is to provide the right questions and a route forward towards an answer that is appropriate to your unique situation.

“Don’t forget, if someone tells you that they have the answer, they probably don’t understand the question”  
CK Prahalad

### *Topics Outline*

- **The Financial Context**

A business exists to earn returns for shareholders. Yet many decisions by managers which appear sensible in the short-term actually destroy shareholder value. In this section, participants will consider short-term measures – profit and loss, balance sheet and cashflow (working capital) – and how they fit with longer-term perspectives relating to investment in people, processes, brand, knowledge, R&D etc.

This section will provide participants with a better understanding of the customers’ financial perspective and, in particular, the concept of customer lifetime value. This will enable participants to relate your organisation’s services to customer benefits – and justify customer investment in terms that customers can relate to.

- conventional accounting
- financial statements
- measuring performance - useful ratios
- the flaws in conventional accounting
- cashflow and working capital
- the shareholder perspective
- the cost of capital and the time value of money –economic profit and discounted cashflow
- justifying strategic investment, particularly in intangibles such as brand, knowledge and skills
- customer lifetime value

“In today’s information age, the accounting focus only on tangible assets makes little sense now that intangible assets are the overwhelming source of value creation.”  
Professor Peter Doyle

- **Developing Business Cases**

No one can predict the future but some guesses are better than others!

- building practical models

- what-if analysis – understanding the risk factors and how to mitigate
- identifying critical drivers
- what are the critical measures
  - payback
  - IRR
  - NPV

## Understanding the Future

### • Strategic Analysis – the Macro-environment

The macro-environment consists of forces that are beyond the control of even the largest organisations in the world. For those who interpret these forces correctly, they offer immense opportunities – for those who don't, disaster awaits.

- the macro-environment – PESTLE analysis
- identifying trends, opportunities and issues
- scenario analysis and planning
- creating “future memory” and preparedness to gain first-mover advantages
- developing a “learning organisation” – embedding strategic foresight in the organisation

“If you do not know how to ask the right question, you discover nothing”  
W Edwards Deming

### • Strategic Analysis – Industry

A critical strategic question is: where shall we compete? Many other players are involved in the game - current and potential future competitors, suppliers and, of course, customers.

- Porter's Industry Analysis – understanding how firms compete and the impact on profitability of:
  - barriers to entry and exit
  - substitutes
  - potential entrants
  - competitive rivalry
- Competitive Advantage – gaining and sustaining
- Customer Focus – the link between brand, culture and competitive advantage

### • Strategic Analysis – Markets

This session examines competitors and how the segmentation perspective an organisation adopts can lead to success or failure

- the art-science of segmentation
- identifying “attractive” segments
- positioning within markets
- competitive analysis
- why everyone is in ‘marketing’

## The Organisation

Having gained an understanding of the wider environment and the industries in which the organisation operates, the next stage is to consider your organisation – what resources are available; how can the bundle of knowledge, skills, reputation, relationships, equipment etc be utilised to gain sustainable competitive advantage.

- Porter's Value Chain – analysing how your organisation delivers value to the customer
- “Core Competencies” – gateways to the future
- Strategic Fit – culture

“It is important that top managers view the firm as a portfolio of competencies, for they must ask, “Given our particular portfolio of competencies, what opportunities are we uniquely positioned to exploit?”

Hamel & Prahalad

- **Sustainable Competitive Advantage**

“Some managers think, ‘The world is changing, things are going faster - so I've got to move faster. Having a strategy seems to slow me down.’

I argue no, no, no - having a strategy actually speeds you up.”

Professor Michael Porter

Porter identified three viable options for sustainable success. This session explores (and questions) these approaches, encompassing topics such as branding and culture. The investment implications of each are examined.

- thinking behind “Blue Ocean” strategies
- lowest cost
- differentiation
- focus

- **Brand and Culture**

Brand and culture are the foundations of sustainable competitive advantage. They are difficult to copy and they enable organisations to escape the shackles of existing product-market combinations – in other words to adapt to the future competitive environment.

For instance, the least important aspects of branding is advertising and logos. A brand is how the phone is answered, the tone of voice in an email to a customer or the response when mistakes are made. And clearly, each of these is driven by culture – brand and culture are two sides of the same coin.

“Whenever you see a successful business, someone once made a courageous decision”

Peter Drucker

- **Techniques for Developing Strategy**

"However lean and fit an organization, it still needs a brain. But the brain we have in mind is not the brain of the CEO or strategic planner. Instead it is an amalgamation of the collective intelligence and imagination of managers and employees throughout the company, who must possess an enlarged view of what it means to be 'strategic'."

Hamel & Prahalad

A reminder that the strategic process is not a linear sequence; it is an iterative process. Strategy can often be perceived as esoteric and removed from what managers do on a daily basis; this is a mistake. In this session, participants will use a number of practical techniques that convert strategy into specific tasks:

- understanding goals
- action mapping – identifying performance drivers, issues
- leveraging and developing core competencies
- next actions – a systematic approach – the strategic staircase

## Making it Happen

This section is where participants consider how to translate strategy into action, whilst integrating measurement into implementation.

- **Strategic Implementation – Balanced Scorecard**

The Balanced Scorecard is a framework for:

- communicating strategy throughout the organisation
- making strategy part of everyone's everyday job
- aligning individual and organisational goals
- measuring and controlling the real performance drivers, including intangibles
- delivering shareholder value

"Organisations today need a language for communicating strategy... Success comes from having strategy become everyone's everyday job."  
Kaplan & Norton

- **Strategic Implementation – the Soft Side**

Successful strategists recognise that effective implementation depends on people.

- culture and values
- leadership behaviours
- winning hearts and minds

### *Approach*

Participatory and involving with an emphasis on the practical application of skills and knowledge. Workshops, combining group discussion, case studies, video, what-if scenarios, the application of models and tools and presentations, can be supported with online learning and coaching to ensure the transfer of insights and skills to the workplace.

More information: [www.commercial-awareness.com](http://www.commercial-awareness.com).