THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING
FINANCE FOR GROWTH

Implementing your strategy – April 2017
Finance for growth

Agenda

- Introductions
- Recap re strategy creation
- Translating strategy into action
- Case study exercise
- Strategy: The Arkphire experience
INTRODUCTIONS

Emma Cadden
RSM International

38,353 PEOPLE

763 OFFICES

3,384 PARTNERS

120 COUNTRIES

FEES $4.6bn
Finance for growth

RSM

- Top 10 accounting practice
- Employ over 120 professionals
- Member of RSM International
- Offices in Dublin and Midlands
- Multi-disciplinary
  - Audit and Advisory
  - Corporate Finance
  - Management Consulting
  - Corporate Recovery
  - Tax
- Work closely with Enterprise Ireland across various programmes including Lean
Strategic planning context

- Economic environment within sector/markets
- At outset planning informed by some key questions including:
  - Who are our stakeholders and what are their needs?
  - What outcomes address these needs?
  - What changes can we achieve?
  - How do we unlock efficiencies in product/service delivery costs?
  - How can we innovate given budget pressures?
Potential approach to strategy creation

**Entity Strategy**
- Vision
- Mission
- Values
- Guiding Principles

**External Factors**
- Your Products
- Associated Services
- Marketing initiatives

**Internal Factors**
- Funding
- Budget
- Controls
- Systems

**Implementation Plan**

**Growth**
- Staffing
- Skillsets
- Human Resource
- Experience

**Finance**
- Procedures
- Processes
- Systems
- Quality

**People**

**Operations**
A successful strategic planning project will feature five key elements:

1. Understand the Context (economic and political) and Stakeholder Need
2. Building a Vision, Mission and Strategy
3. Test and Challenge
4. Develop Implementation Plans
5. Report Monitor and Learn
Approach has four basic phases:

- **Analysis or assessment**: an understanding of the current internal and external environments is developed
- **Strategy formulation**: high level strategy is developed and a basic organisation level strategic plan is documented
- **Strategy execution**: where the high level plan is translated into more operational planning and tactical action items
- **Evaluation or sustainment phase**: on-going refinement and evaluation of performance, culture, communications, data reporting and other strategic management issues.
Dynamic, iterative process
Why have a HR strategy?

- Helps your leaders consider and make tough choices
- Identify best opportunities
- Avoids potholes - provides a clear organisational identity
- Keeps professionals moving in the same direction
- When no one knows what the business is striving to accomplish, they have no idea of what to work towards
- Reduces risk of giving in to pressure from individuals.
Why the need to align people with strategy?

- It provides leadership and direction to your staff
- It helps deliver an effective strategy, properly executed
- It allows you consider solutions across all areas. Foster a team approach
- It manages interdependencies between units. Avoids a silo approach
- Maximise your resources. Engenders accountable culture throughout organisation.
Put simply...

High performing organisations:

- Know where they are going
- Ensure their people have what it takes
- Develop and enable their people
- Help their people stay on track.
Successful HR strategy

Gets the best performance from employees by ensuring employees:

- Have something (skills, competencies, abilities)

- Feel something (commitment, engagement, motivation where the good stay)

- Do something (their behaviour and attitude - productive and profitable, focussed on the customer).
Building your HR strategy

- Analyse your industry/sector
- Understand your value chain
- Recognise your key processes
- Identify your key people
- Tailor your HR strategy.
Translating your strategic goals into a financial model
Translating your strategic goals into a financial model (cont.)

- Once chosen strategy has been identified and incorporated into your financial model, able to identify your funding gap

- Funding gaps can arise from the following strategies:
  - working capital requirements in excess of profitability
  - investments/sales and marketing initiatives require funds
  - acquisition strategies

- Scenario planning essential to test robustness of financial model

- Modelling helps assess strategy and underlying assumptions.
The funding requirement

- Upon completion and testing of your financial model, the funding requirement emerges.

- Considerations:
  - available options
  - cost of funds
  - debt versus equity

- May be necessary to undertake further modelling to assess the impact of funding options on the financial model.

- Chosen strategic option + chosen funding strategy = final strategy for the business.
TRANSLATING STRATEGY INTO ACTION

Terry McAdam
Implementing your strategy-from vision to reality
“The art of prophecy is difficult, especially with respect to the future”

Mark Twain
Predicting the future, or planning for it?
Strategy

Strategy is about understanding what you want to do, what you want to become, and most importantly framing how you plan to get there.

*HBR*
Business strategy

- Values
- Vision
- Mission
- Goals
Vision statements

- **Disney:** Creating a place where people can feel like kids again
- **Apple Computers:** Changing the way people do their work
- **Coca-Cola:** A Coca-Cola within arms reach of everyone within the world
Mission statement

- McDonald's brand mission is to be our customers' favourite place and way to eat and drink
- Our worldwide operations are aligned around a global strategy called the Plan to Win, which centre on an exceptional customer experience – People, Products, Place, Price and Promotion
- We are committed to continuously improving our operations and enhancing our customers' experience.
The Impact of planning

Financial performance today
Customer metrics (2-3 months ago)

Customer metrics
Depends on meeting operational and people metrics (2-3 months earlier)

Operational metrics
Are influenced by the people metrics (2-3 months earlier).

Planning
Aligning your people and resources.
The strategy process

Unit goals and action plans
Implementing your plan

- Communicate and engage
- Align
- Set priorities - goals (SMART)
- Identify responsibilities
- Identify measures, set milestones
- Track and summarise activities
- Link to daily activities
- Recognise achievements
- It’s about doing.
Implementing your plan - the balanced scorecard

Takes account of a number of key factors, normally:

- The financial status of the organisation
- How the organisation is currently structured and operating (Process)
- Learning and growth (People)
- Customers’ satisfaction level.
Evaluation/reporting of progress

• Reporting frequency monthly v quarterly

• Consider mode of communication (meeting v email, both)

• Agreed reporting template: consistency, no omissions

• Statistical data from core operational and financial applications – single source of data

• Narrative commentary re progress. Finance ensure consistent with operational/financial data.
KPI reporting

<table>
<thead>
<tr>
<th></th>
<th>Target 2013/14</th>
<th>Q2 Target 2013/14</th>
<th>Q2 Actual 2013/14</th>
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<tbody>
<tr>
<td>WIP &amp; Debtor lock-up (days)</td>
<td>100</td>
<td>120</td>
<td>115</td>
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<tr>
<td>Fee Target</td>
<td>€900k</td>
<td>€225k</td>
<td>€250k</td>
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<td>Gross margin</td>
<td>70%</td>
<td>70%</td>
<td>68%</td>
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<tr>
<td>Recovery Rates</td>
<td>85%</td>
<td>85%</td>
<td>80%</td>
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<tr>
<td>Management Group chargeable hours</td>
<td>4,800</td>
<td>1,200</td>
<td>1,250</td>
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## Narrative reporting

<table>
<thead>
<tr>
<th>No.</th>
<th>Objective</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>31</td>
<td>Create, build and nurture relationships with five new suppliers to underpin growth in new market</td>
<td>Follow up meeting planned with ..... for December 2013 to discuss typical opportunities and enhanced co-operation.</td>
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Key project reporting

Project: Specification, selection and procurement of procurement application

Project Managers:

Reporting Period:

Exceptions to planned activities:

Key highlights:

Potential problems/issues:

Outlook for next reporting period:
Staying on course

- Performance metrics
- Progress reviews
- Anecdotal reports
- Walking around

Think of possible remedies
Identify the root causes
Choose the most promising remedy
Execute
Evaluation of strategy

- Review of fitness for purpose – annual process
- Undertaken by Board committee or strategy group
- Recommend affirmation or updating of strategy (revise/augment/extend)
- May seek to retire strategy
- Recommend grouping to progress renewal.
The strategy implementation process

- Vision
- Strategy
- Implementation Plan
- Accountabilities
- Deadlines
- Ownership
- Monitoring Systems

Steps: Involve, Communicate, Specify, Act
Case study and exercise
Case study and exercise (cont.)

Take 10 minutes to read documentation
Vision
For 123 Systems to be the leading global developer of innovative and creative micro technology that changes business communications.

Mission
To develop and produce high end micro systems for mobile and wireless enabled business communications. We will achieve this by employing the best, building profitable industry partnerships in micro technology research, and producing quality solutions through profitable partner distribution networks.
# Implementation - strategic pillars

## 123 Systems Mission

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<th>Pillars</th>
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<td>Finance</td>
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<td>Operations and Processes</td>
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<td>Growth</td>
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<td>People</td>
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### Themes

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<tr>
<td>Activities and processes that enhance the profitable operation of the business</td>
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<td>Successfully integrating infrastructure, logistics, and technology to develop and supply high quality, innovative and relevant products and research activities</td>
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<td>Activities that create significant market share, develop the brand, identifies increased revenue targets, and sees 123 Systems as a market leader</td>
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<td>Develop and maintain a skilled, creative, effective, flexible and committed staff that are fully engaged in the business journey.</td>
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### Goals
## Implementation planning

### Operations and Processes

Successfully integrating infrastructure, logistics, and technology to develop and supply high quality, innovative and relevant products and research activities

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<thead>
<tr>
<th>Actions</th>
<th>Who</th>
<th>By When</th>
<th>Key Performance Indicators (Measuring Success)</th>
<th>Critical /Key Success Factors</th>
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Critical/success factors may include resources, supports or actions from other areas and create a balanced scorecard for the plan
Case study feedback
Strategy in action

Paschal Naylor
Managing Director
Agenda

- Arkphire Overview
- Arkphire Today
- Stakeholders > Service Providers, Customers, Suppliers, Partners, Employees, Financial.
- Acquisition & Development
- Learnings
Company Overview

Arkphire

Dublin, London, SF
Staff 70
Rev’s 2017 €52 mil

Vision
Leading IT Services Supplier
Delight our Customers &
Creating Value

Highlights 2017
400% Growth since 2011
Best Managed 2017
Technology Fast 50 (Ireland)
Arkphire Services

> Focus is to deliver IT and Digital Transformation.

> Design, Build, Operate and Maintain IT Infrastructure.

- Virtual infrastructure and services.
- Private, and hybrid cloud platform
- Infrastructure assessment
- Email: high availability and compliance.
- Virtual infrastructure and services.
- High Performance Storage
- Infrastructure assessment
- Email: high availability and compliance.
Planning + Financials

Stakeholders
- Service Providers, Employees, Customers,
- Suppliers, Partners, Financial.

Acquisition & Development

Learnings
QUESTIONS AND ANSWERS?
THANK YOU FOR YOUR TIME AND ATTENTION