

“Strategy in Action” – An Overview

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STRATEGY & PARTNERS

“We cannot solve our problems with the same thinking we used when we created them” (Albert Einstein)

WHY

*“If there’s a book that you want to read, but it hasn’t been written yet, then you must write it”
(Tony Morrison)*



ANGEL GAVIEIRO
(PHD, MBA)

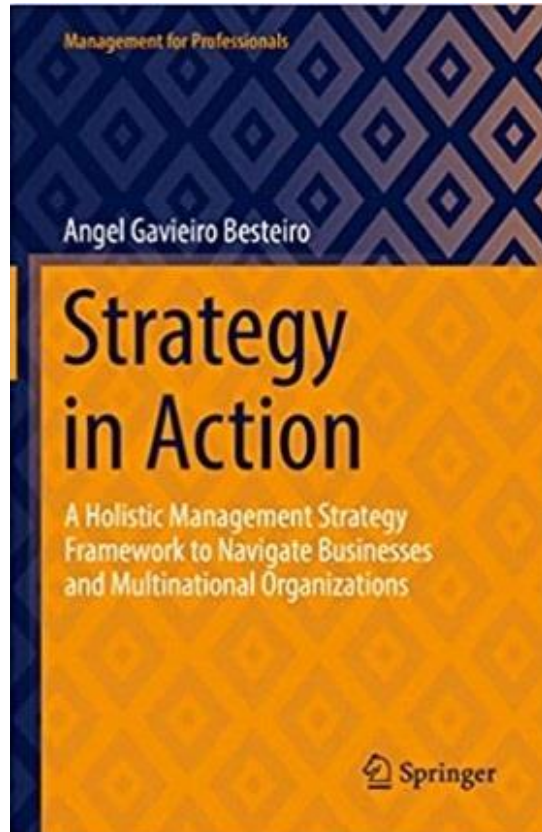
BANKER
&
 STRATEGIST

1994 ♦ 2000		
2001 ♦ 2004		
2004 ♦ 2007		
2008 ♦ 2012		
2014 ♦ 2015		
2018 ♦ 2020		
2016-17 ♦ 2021...		

- Strategy & management consultant in Retail & Commercial Banking (Madrid)
- Head of Strategy & Business Development (organic / M&A&A):
 1. International Retail & Commercial Banking / Group Strategy & Planning – Barclays Bank (London)
 2. Wholesale Banking & Markets / Corporate Banking – Lloyds Bank (London)
 3. EMEA Region – Wells Fargo (London)
- Sr. Advisor - Neobanks / FinTech / DLT / Climate Finance – AG Strategy & Partners (London)

“Strategy in Action”

A Holistic Management Strategy (HMS) framework to navigate businesses and multinational organizations

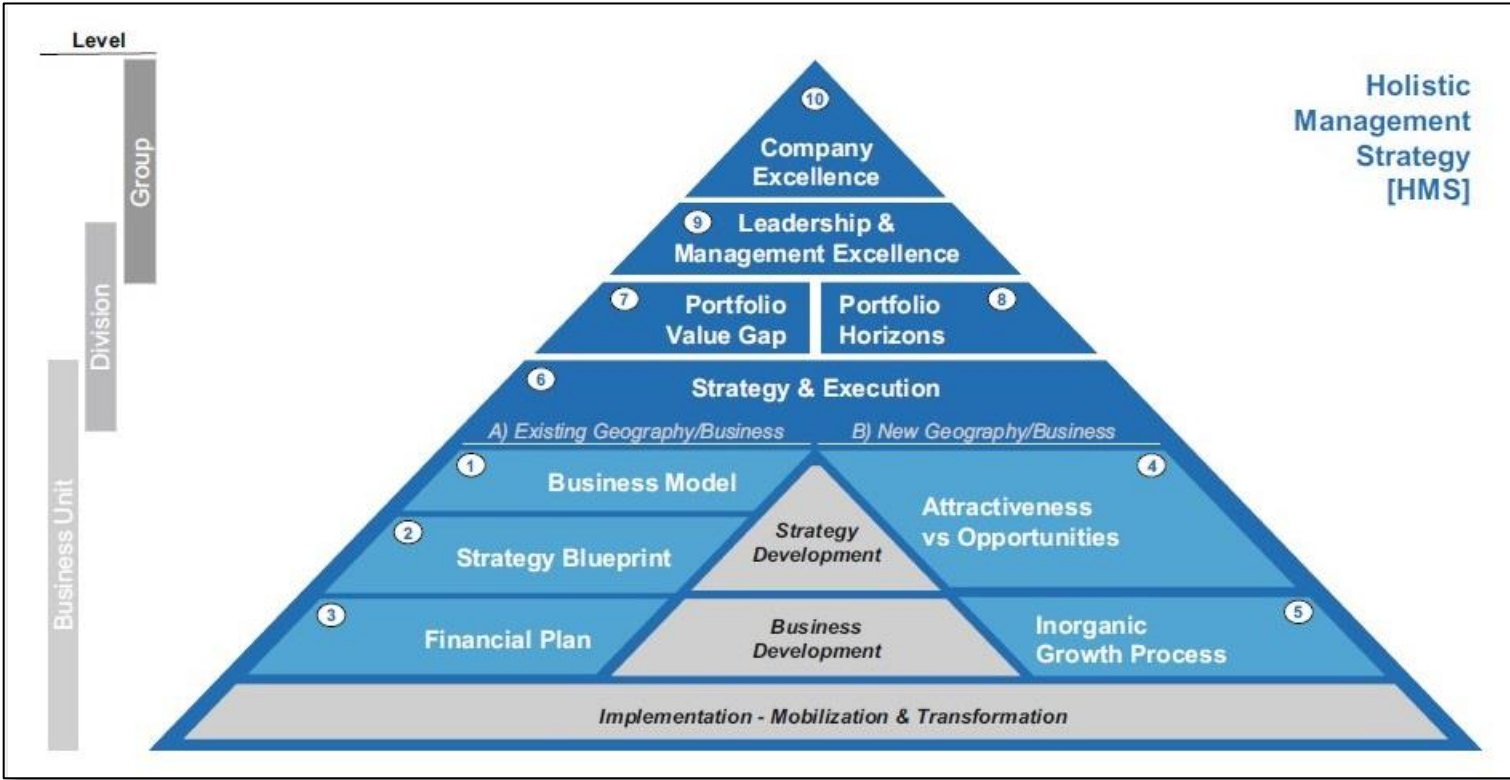


Strategy, according to the Oxford English dictionary is defined as:

1. [countable] a plan that is intended to achieve a particular purpose
2. [uncountable] the process of planning something or putting a plan into operation
3. [uncountable, countable] the skill of planning the movements of armies in a battle or war

focus on its actual purpose: the “how”, the action of developing a strategy, in its three definitions, as a plan, as a process and as a skill, within the sphere of the business world (so, leaving outside the book’s remit any other areas of human endeavour, like the military, public sector or non-for-profit sector).

HOLISTIC MANAGEMENT STRATEGY (HMS) FRAMEWORK



- | Part I | Part II | Part III | Part IV | Part V |
|--|---|--|---|--|
| <p><i>[Business Unit]</i></p> <ul style="list-style-type: none"> ○ Existing Geography / Business (#1, #2, #3) | <p><i>[Business Unit]</i></p> <ul style="list-style-type: none"> ○ New Geography / Business ○ Strategy & Execution (#4, #5, #6) | <p><i>[Division / Group]</i></p> <ul style="list-style-type: none"> ○ Portfolio Strategy (#7, #8) | <p><i>[Division / Group]</i></p> <ul style="list-style-type: none"> ○ Leadership & Management Excellence ○ Company Excellence (#9, #10) | <p><i>[Future of Strategy]</i></p> <ul style="list-style-type: none"> ○ Strategy Function ○ Digital Strategy (in FS industry) (#11, #12) |



AGENDA

- **Business Unit Level – Parts I & II**
- Division/Group Level – Parts III & IV
- The Future of Strategy – Part V

PART I – Strategy for Existing Geography & Business (1/2)

[Business Unit level]

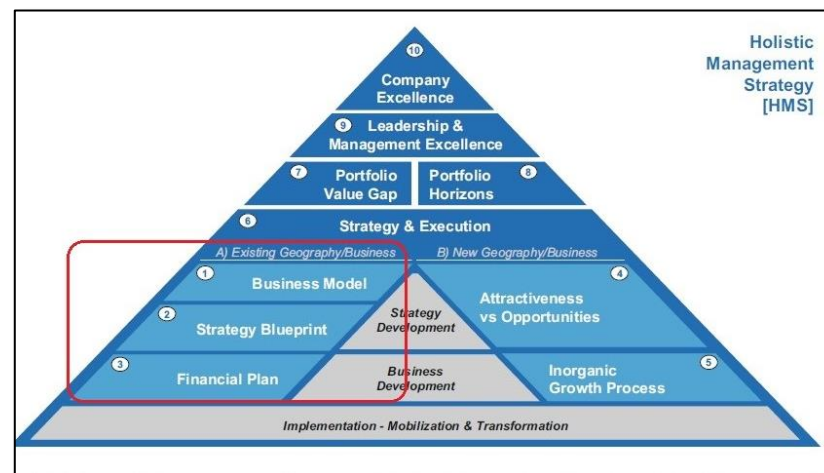
Strategy ‘Malaises’

- In Strategy Development, the **Business Unit is nowadays often notoriously neglected**, especially in large organizations, lost in the middle of...
 - ...complex Businesses matrices vs silo Functions across geographies, and
 - ...centralized strategy governance at Group/Division level



- **Disconnected Financial Plan** (i.e. the ‘numbers’) vs Strategy (i.e. the ‘words’)
- **Forgotten Functions** (i.e. input/challenge, capabilities/resources sizing & costing)
- **Business Model is an afterthought** (i.e. Target Operating Model at most)
- Future Business Model is sometimes visualized, while the **current one is assumed**
- Framework **components often missing** (e.g. Diagnosis), ad-hoc and improvised

HMS



Ch.1 Business Model - Snapshot of a Business Unit ‘as-is’ at present, vs snapshot ‘as-should-be’ in the future

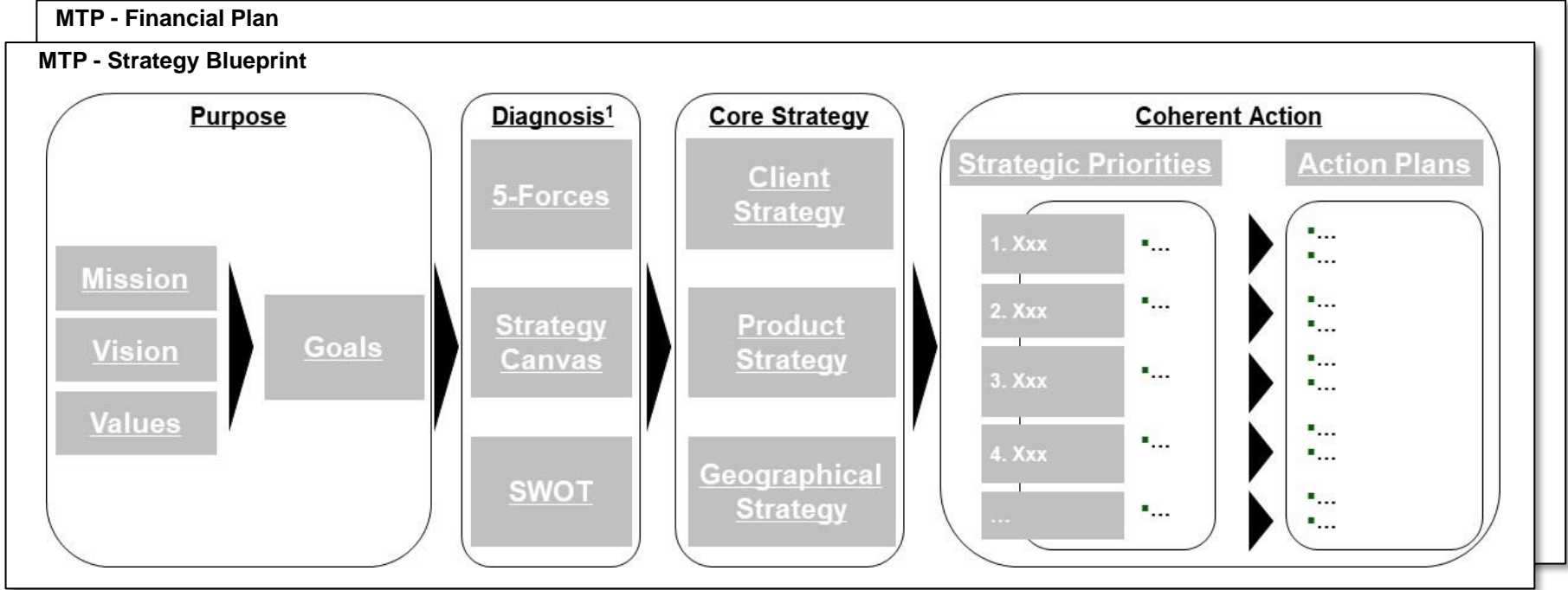
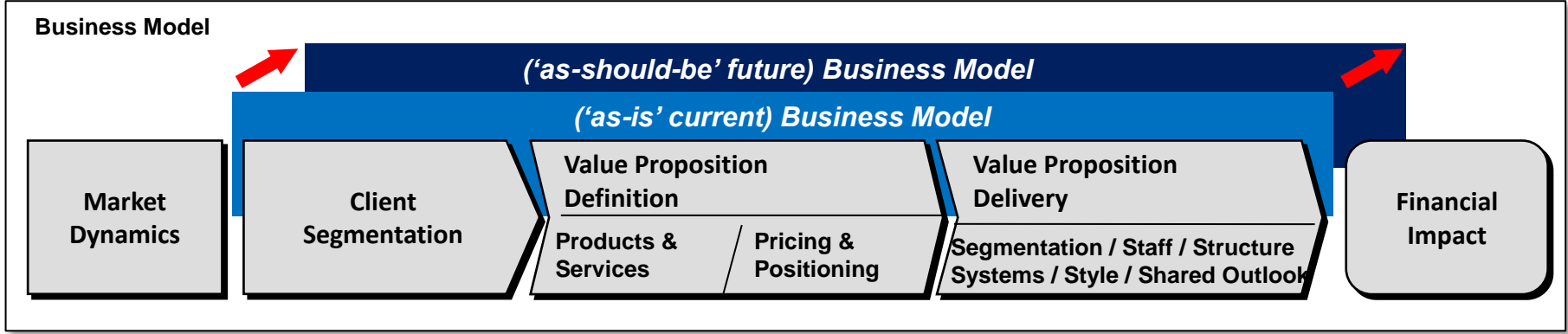
Ch.2 Strategy Blueprint - With the Core Strategy framework at its centre (geography/client/product), articulates how the Business Model will change from ‘as-is’ to ‘as-should-be’, connecting Actions with Purpose

Ch.3 Financial Plan - Translates the Strategy Blueprint into numbers, via 2-phase best-practice process with 3 core client/product KPIs linking both together

(Medium Term Plan = Strategy Blueprint + Financial Plan)



PART I – Strategy for Existing Geography & Business (2/2)
[Business Unit level]



Notes: MTP = Medium Term Planning. 1. Other frameworks or ad-hoc analyses could be used
 Sources: “Strategy in Action” (Angel Gavieiro; Springer, 2022); AG Strategy & Partners Ltd. (2023)

PART II – Strategy for New Geographies and/or Businesses (1/2) [Business Unit level]

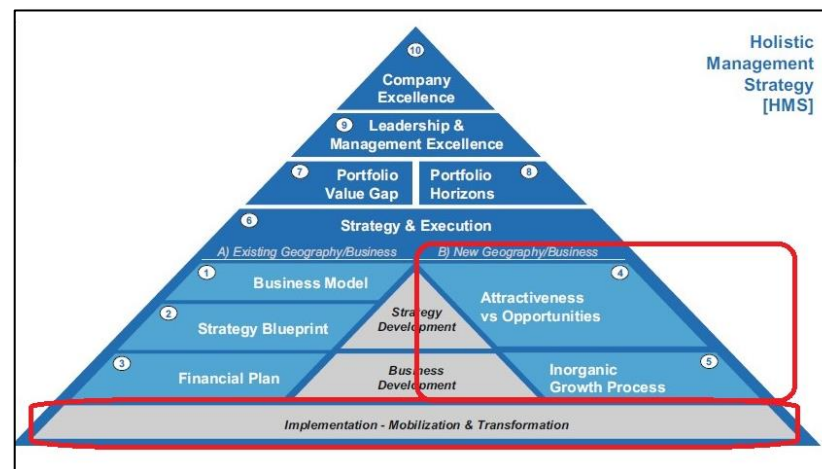
Strategy ‘Malaises’

- In Internationalization, many lessons learned the hard way from **overestimating own strengths to underestimating local players**, ... ending up with the eventual departure from the ‘target’ market



- Weak understanding** of the new market environment and industry
- Lack of deep insight about the ‘targets’**
- Unclear approach trade-offs** among organic growth, acquisitions and partnerships
- Assuming **dubious competitive advantages**
- Lack of a systematic methodology** and process for inorganic growth
- Shallow due diligence** on synergy sources
- Overpaying** and lack of ‘walk away price’ due to **decision-making biases/noises**
- Managerial capability gap** for integration

HMS



Ch.4 Attractiveness & Opportunities - helps both to determine the new Geography/Business Attractiveness and to identify the Organic/Inorganic Opportunities to enter these markets

Ch.5 Inorganic Growth Process - building upon the former’s Entry/Expansion Cases for each new geography/business, defines the input/output and 4 decision-making steps for Inorganic Growth cases (i.e. M&A, JV/Alliances)



PART II – Strategy & Execution (2/2)
[Business Unit level]

Strategy ‘Malaises’

- For both Organic and Inorganic efforts, the handover between **strategy and execution is often everything but smooth**

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Ch.6 Strategy & Execution - reviews how both link leveraging two best-practice frameworks for Implementation: Mobilization (of the people) and Transformation (of the organization)

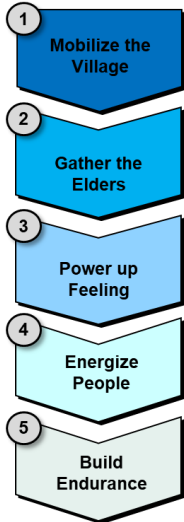
How to embed the strategy and roll its execution out consistently?

Mobilization Framework¹

- How to communicate and motivate people at different levels?

Common Execution Failures

- Failure to ‘buy in’ teams
- Negative politics
- Departures of key staff

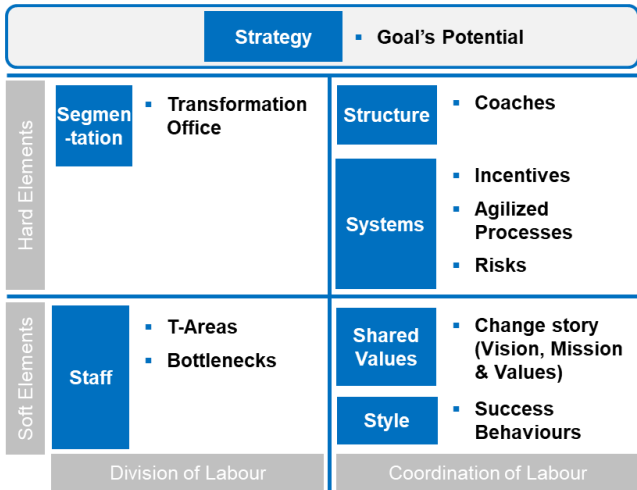


Transformation Framework²

- How to address the fear of change across the organization?

Common Execution Failures

- Lack of talent
- Wrong incentives
- Unfit governance
- Scarce budget



1. "The Strategy of Execution" (Liz Mellon and Simon Carter; 2013; McGraw Hill); 2. "7 S Framework" (McKinsey;1979); "General Management Framework" (Chip Heath and Greg Fisher; 2000; Duke University) Sources: "Strategy in Action" (Angel Gavieiro; Springer, 2022); AG Strategy & Partners Ltd. (2023)



AGENDA

- Business Unit Level – Parts I & II
- **Division/Group Level – Parts III & IV**
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PART III – Portfolio Strategy (1/2) [Group/Division level]

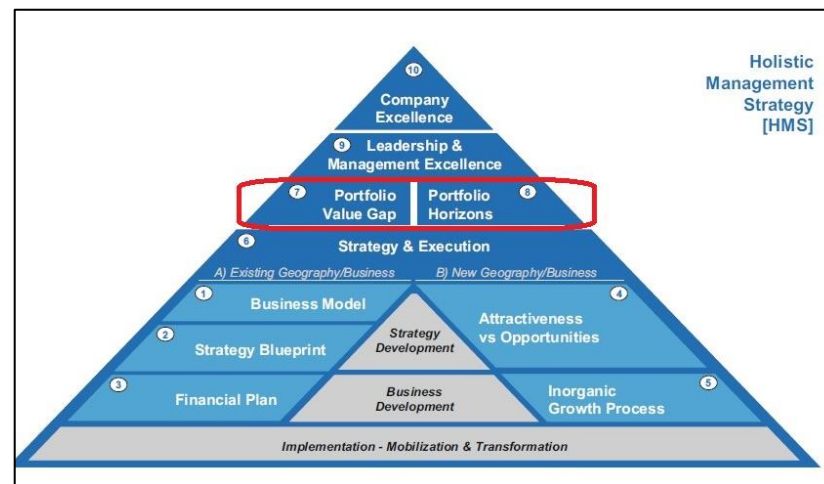
Strategy ‘Malaises’

- Portfolio Strategy is performed **heterogeneously** across Divisions and Group level, and across years



- From one year to the next, **the practice could vary quite dramatically** driven by Board/CEO/C-level dynamics
- Lack of structured, scientific approach** to portfolio decision-making on resource allocation (i.e. capital and people)
- Methodologies often **do not evolve in a continuous improvement basis**

HMS



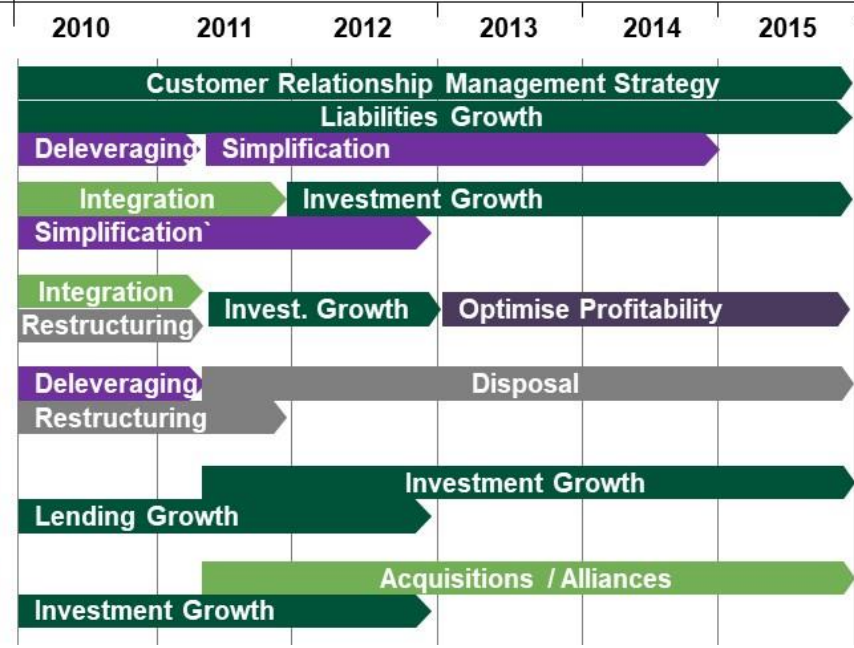
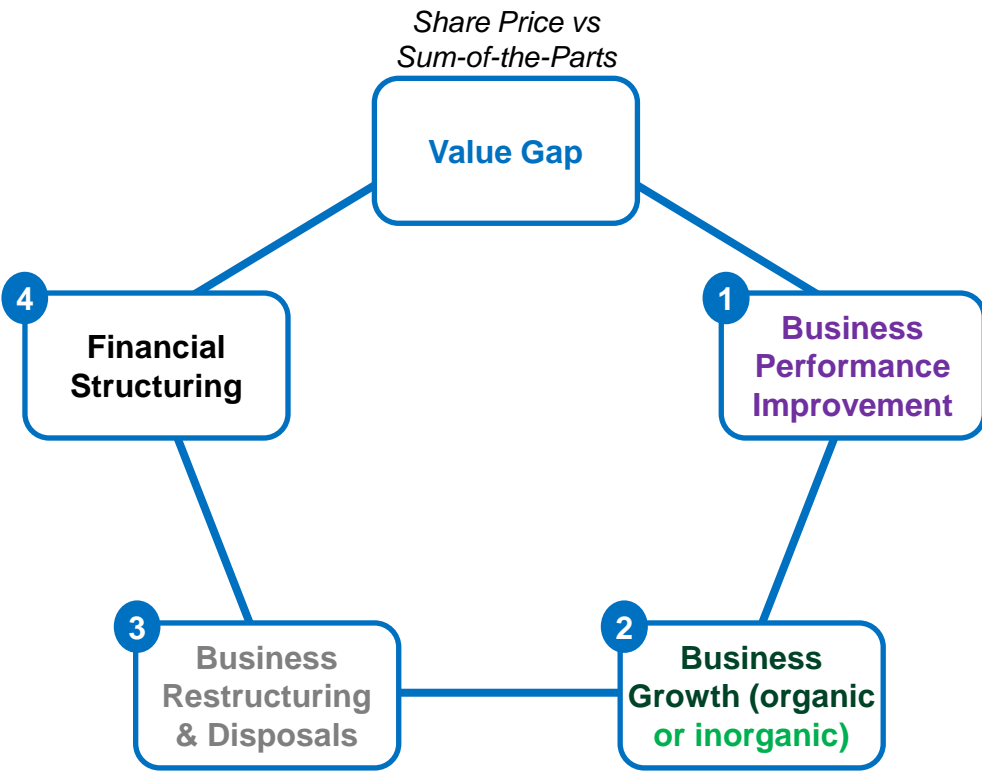
Ch.7 Portfolio Value Gap - methodology to close the valuation gap between current share price and Sum-Of-The-Parts valuation, identifying the required management actions (performance improvement / growth / restructuring & disposals)

Ch. 8 Portfolio Horizons - visualization over time how each of the 3 types of management actions (above) drive the Strategic Plan of each BU in the Division’s portfolio (or each Division in the Group’s portfolio), and whether their Financial Plans’ “curves” are coherently aligned



PART III – Portfolio Strategy (2/2)
[Group/Division level]

Portfolio Value Gap



Portfolio Value Gap Framework – Strategic Focus

- Business Performance Improvement
- Business Growth (organic)
- Business Growth (inorganic)
- Business Restructuring & Disposals

PART IV – Company & Leadership Excellence (1/2) [Group/Division level]

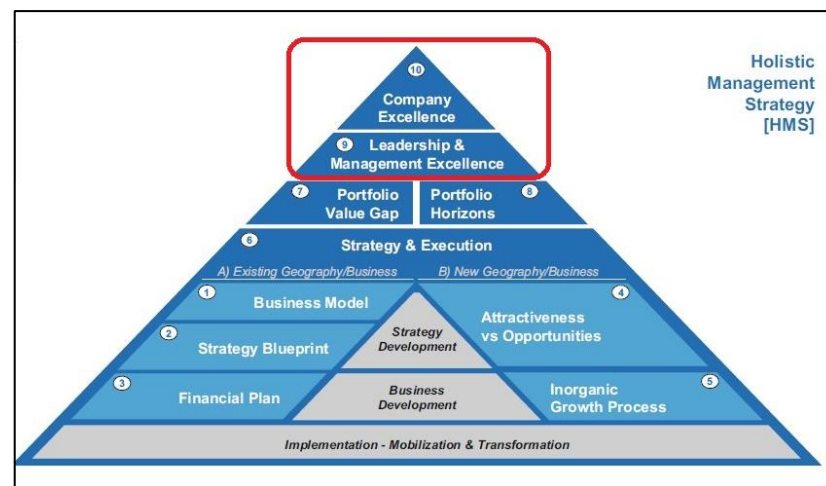
Strategy ‘Malaises’

- 50% of the ‘battle in the marketplace’ is won or lost within the organization’s **leadership teams**,... which on average **trend to mediocre performance**



- **Lack of a systematic programme of at-work education for executives** to ensure they reach a thorough command of leadership & management skillset
- **No explicit agenda for sound, long-term design and build-up of the organization** from increasingly shorter-tenured CEOs
- Team dynamics and individual character of executives translate often in **heterogenous and poor quality of decision-making**
- No mechanisms to mitigate **imbalances from bias, noise and politics** that usually permeate boardrooms and decision committees

HMS



Ch.9 Leadership & Management Excellence - a new framework to ensure senior executives continuously upgrade their skillset across 8 core competences (THICOSIV: Thinking, Honesty, Influence, Communication, Organization, Strategy, Investment and Value)

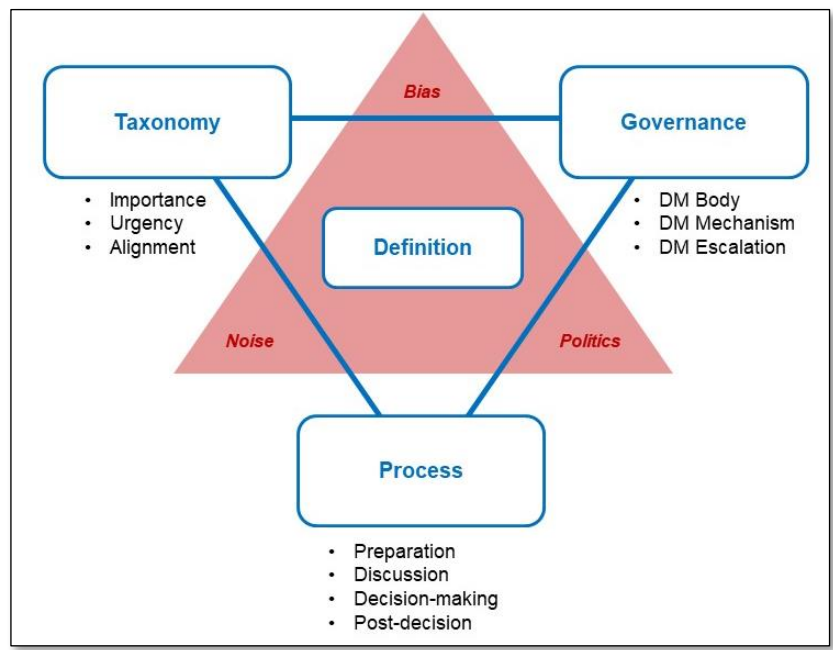
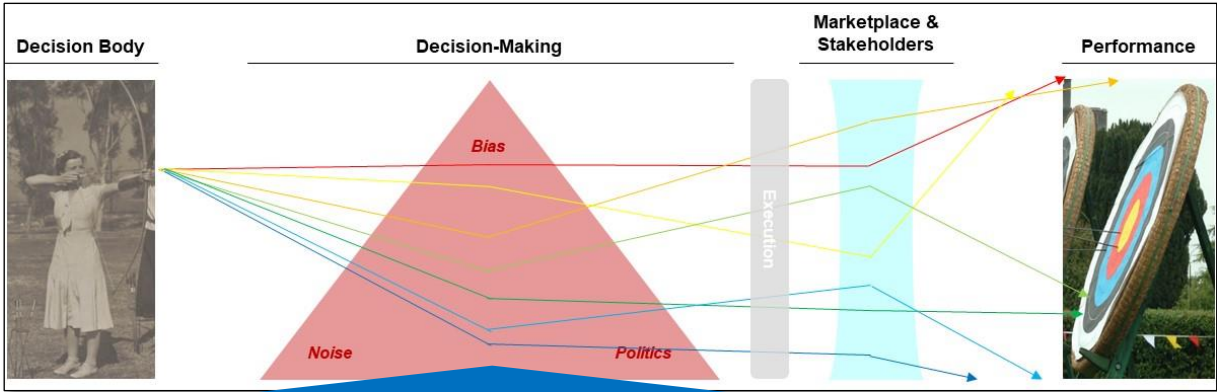
Ch.10 Company Excellence - dual framework for the CEO and Board to achieve an equilibrium between Balanced Design (at long-term strategy) and Considered Decision-Making (at day-to-day execution)

PART IV – Company & Leadership Excellence (2/2)
[Group/Division level]

THICOSIV

Dimension	Goal
Thinking	<ul style="list-style-type: none"> Command your thoughts to better decision making
Honesty	<ul style="list-style-type: none"> Lever the factors to increase honesty and behave with integrity
Influencing	<ul style="list-style-type: none"> Master your behaviour to lead effectively
Communications	<ul style="list-style-type: none"> Master your comms. to lead effectively
Organization	<ul style="list-style-type: none"> Design and implement best-in-class organization
Strategy	<ul style="list-style-type: none"> Design and implement best-in-class strategy
Investing	<ul style="list-style-type: none"> Take financial decisions with the “investor hat”
Value	<ul style="list-style-type: none"> Take business decisions that create value

Considered Decision-Making Framework



Sources: “Strategy in Action” (Angel Gavieiro; Springer, 2022); AG Strategy & Partners Ltd. (2023); archery images (edited versions): "Students in archery class, Scripps College" by Claremont Colleges Digital Library is licensed under CC BY-NC 2.0; "Adare archery" by Gatsby's List is licensed under CC BY-ND 2.0



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PART V – The Future of Strategy (1/2): The Strategy Function

Strategy ‘Malaises’

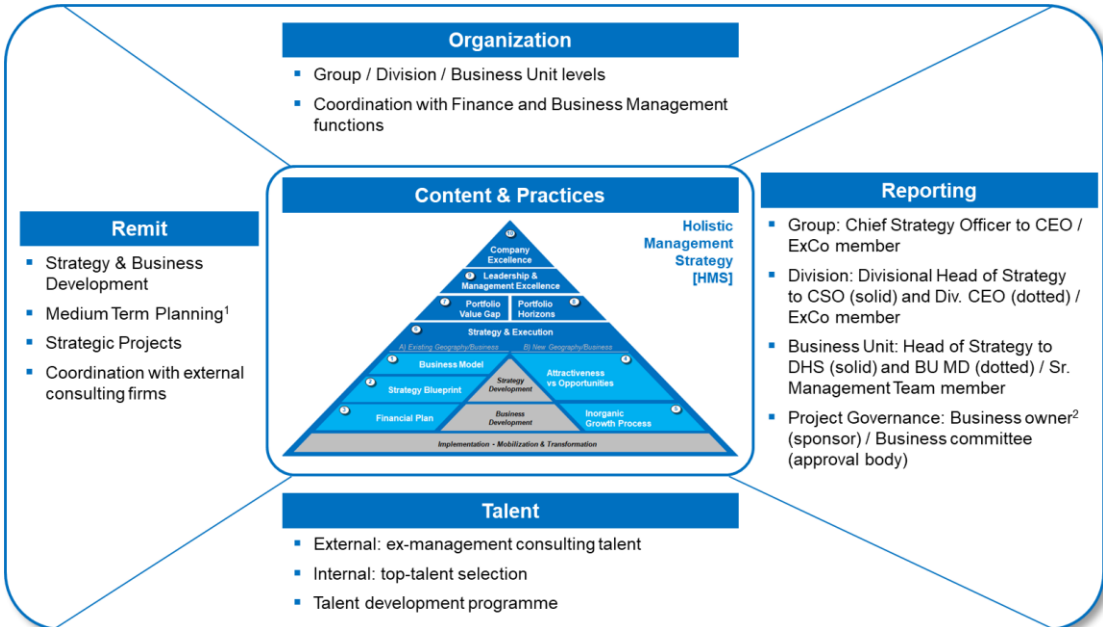
- Strategy teams and their work is disrupted or even disbanded, usually following the change of CEOs/C-levels, seriously diluting the edifice built,...
- ... resulting in a long patchy path of unconnected strategies, with a largely disperse set of execution outcomes



- Lack of an explicit Board’s governance mandate to deliver strategy following a best-practice framework
- Lack of deep interest on the quality of how strategy is developed in organizations
- Unconnected strategy development among C-levels across Group and Divisions, each on their own
- Continuous and inconsistent stream of strategic reviews, revamps, some internally led, other externally led

Best-in-class Strategy Function

Ch.11 Strategy Function - a reflection upon the practice of in-house strategy development, providing a diagnosis of its most common issues and a set of best practices to reconfigure the function for Boards/CEOs to leverage high-quality strategy to its full potential, becoming a source of competitive advantage



PART V – The Future of Strategy (2/2): Digital Strategy

Strategy ‘Malaises’

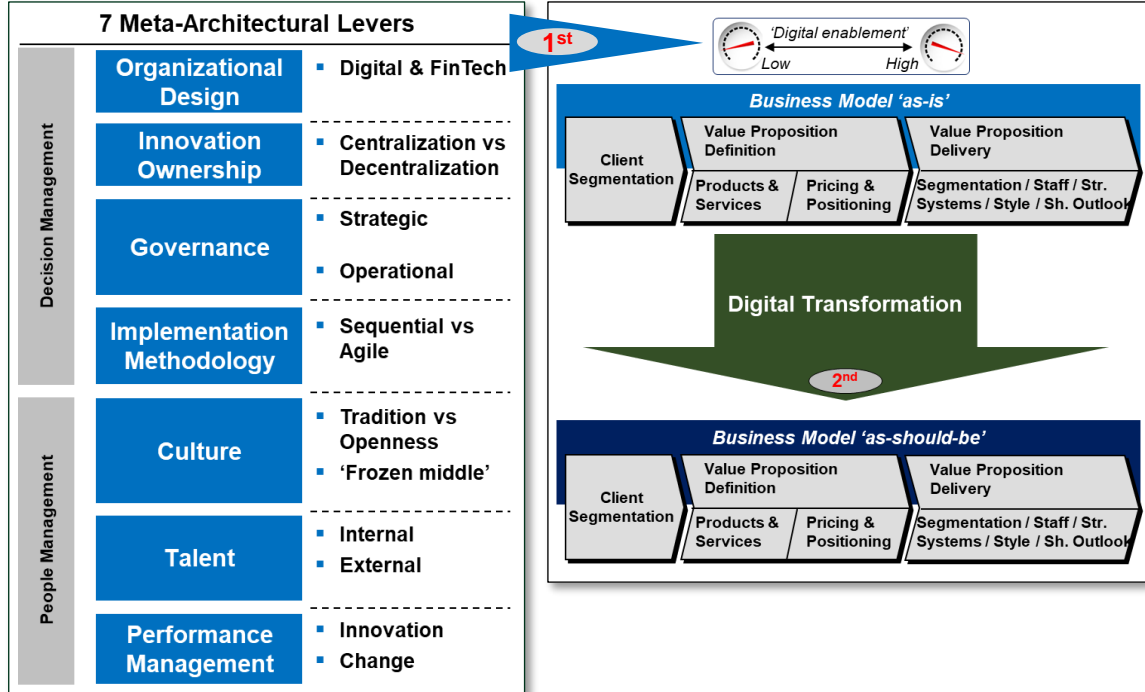
- Why do 70% of digital transformation efforts among incumbent institutions end up in failure?



- ‘7 meta-architectural levers’ are logically ‘dialled’ for the traditional Financial Services world, not for the digital FS world
- Digital transformation projects and programmes often clash against one or several of these levers
- Many institutions, unaware, do not ‘re-dial’ or fine tuning these levers to enable their handling of digital transformation projects and programmes differently

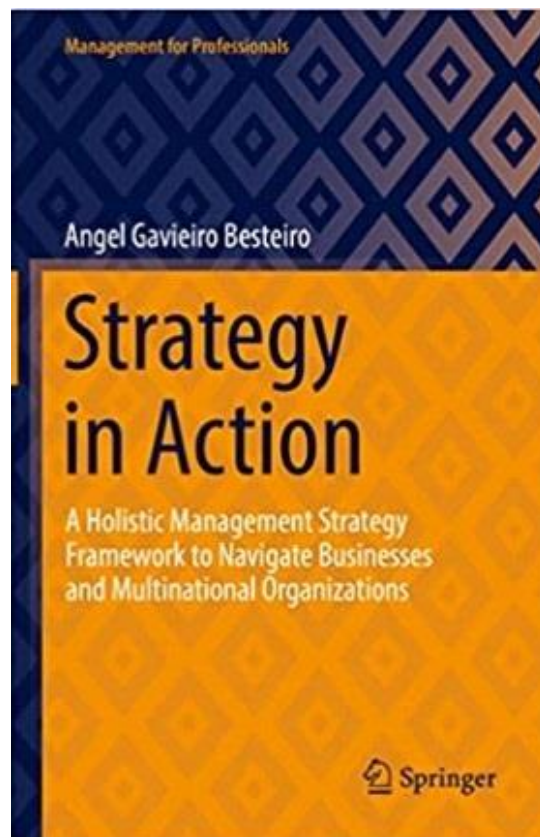
Digital Transformation – 7 Meta-Architectural Levers

Ch.12 Digital Strategy - the opportunity/threat that Digital means for the Financial Services industry, providing a historical co-evolution of technology and banking, dynamics FinTechs vs Incumbent Banks, its impact on the industry, best-practice strategy & execution for Digital Transformation (using HMS framework), and visualization of the future of Digital Financial Services



END

THANK YOU





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