



Virtual Edition - 2

GLOBAL STRATEGY EXECUTION SUMMIT

Strategy & Value Creation

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Ex CFO and CHRO

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Strategy & Value Creation

How Strategy Creates Value for All Stakeholders



EXPERIENCED FINANCE AND HR LEADER
WITH BOARD LEVEL EXPERIENCE IN
FMCG, PHARMACEUTICAL AND
ASSURANCE & CONSULTING.

Currently **Chief Consultant and CEO** at newly established **U Consulting** providing Business Advisory in :

- Finance & Business Strategy
- Organization & Leadership and Capability Development
- Digital Transformation
- Knowledge Management
- Corporate Governance

Prior roles include:

- **Director Finance, HR and IS** at **Macter International** a pharmaceutical company.
 - **Country Head of HR** at **Novartis Pharma** Pakistan Limited
 - **Country CFO** at **Novartis Pharma** Pakistan Limited
 - **Finance Director** at **Unilever Foods Limited**, a global FMCG Company; served variety of Finance roles including, Business Partnering and in Corporate Finance.
- Audit and Assurance** trainee at **KPMG London Office**.

Attended **Harvard Business School** Executive education in **Strategy** and **Advanced Management Program** at **LUMS**, Pakistan.
Fellow Member of **Institute of Chartered Accountants Pakistan** (ICAP).
Graduate **MBA** from the **IBA, Karachi**.

What is Purpose of a Business?

A Business creates Value for all its Stakeholders:

- **Customers & Consumers**

- **Employees**

- **Banks & Lenders**

- **Government**

- **Suppliers & Vendors**

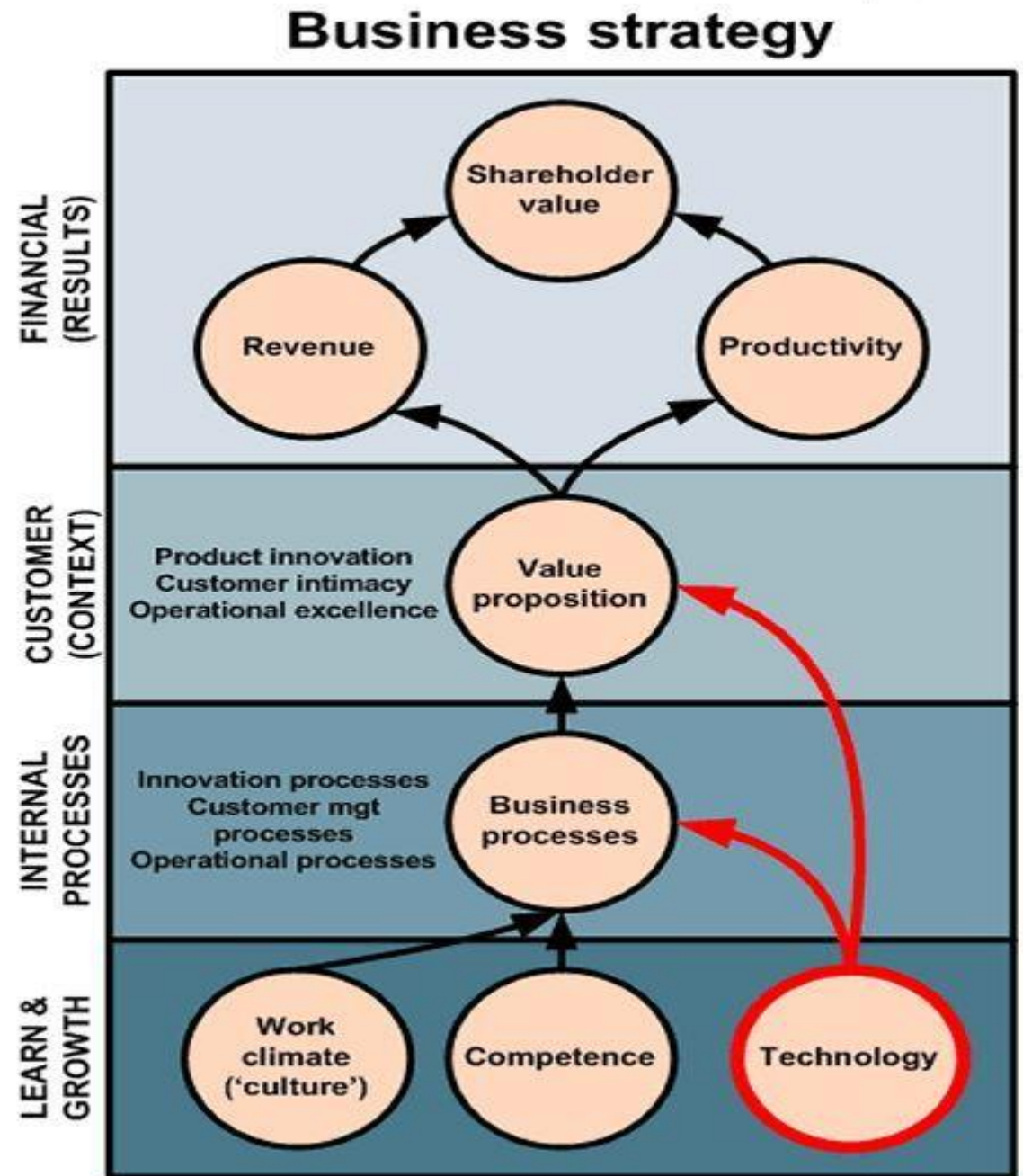
- **Investors & Shareholders**

- **Regulators & NGOs**

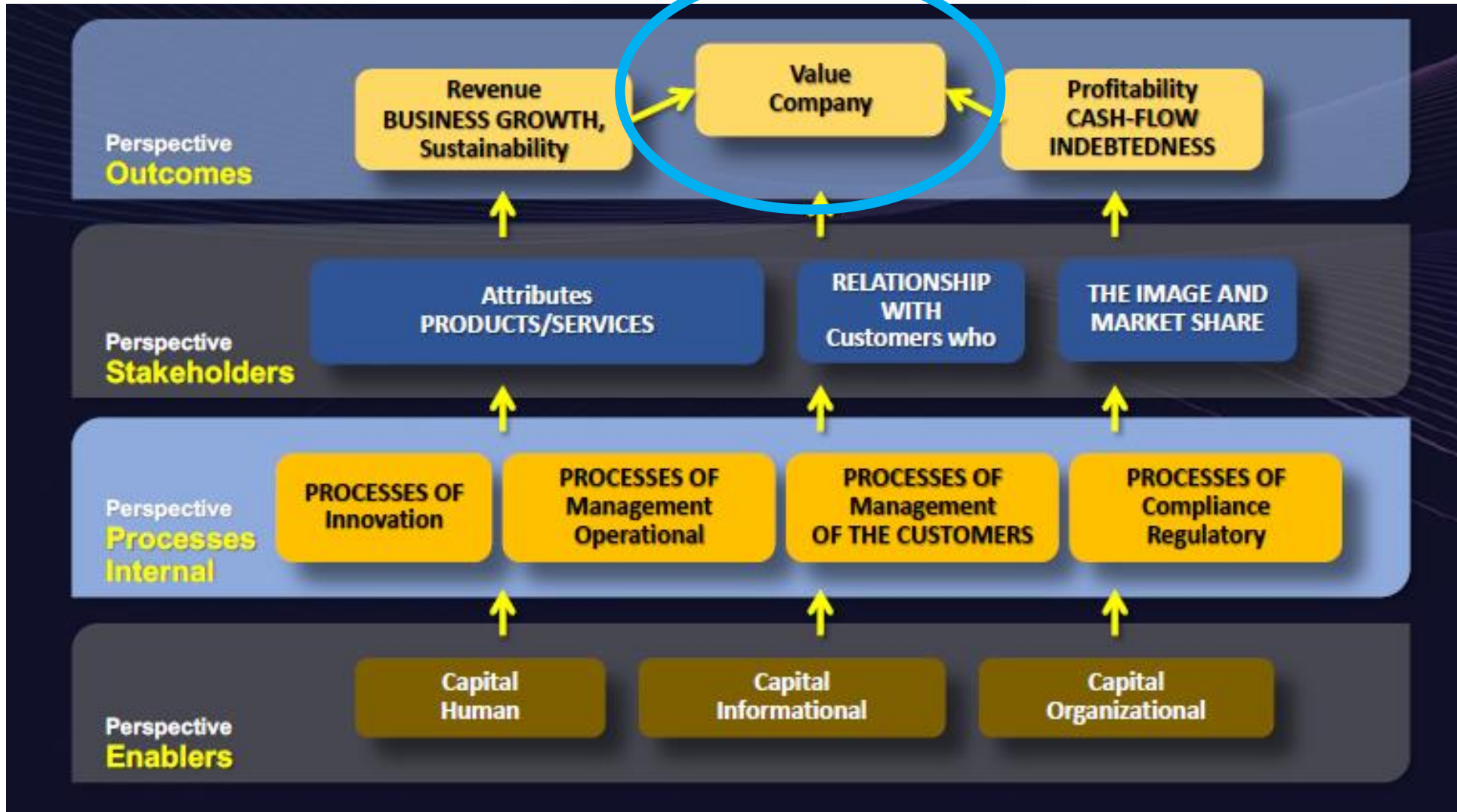
- **Communities**

A Simplified Strategy Map

Strategy simply is a process to create value for all stakeholders



A Generic Business Strategy Map



Credit:
Mihai Ionescu

Value Chain in Business

**VALUE
CHAIN**



Value Chain In a Business



What is Strategic Value Creation?

Strategic value creation refers to the process by which organizations develop and implement strategies to generate value for its stakeholders, including:

- Customers,
- Employees,
- Vendors
- Shareholders, and
- Community.

Value Creation is integral to long-term business success and involves a comprehensive approach to managing resources, capabilities, and external factors to achieve sustainable competitive advantage.

Understanding Value

Value is the difference between willingness to pay and willingness to sell. This difference is the value that the company creates. Value is created in three ways:

Value for Customers

1. **Quality** of the product or service needs to be high in order to increase the willingness to pay.
2. Offer **complementary products** or services that support the willingness to pay of something else.
3. Companies can leverage **network effects** to increase the willingness to pay. For example, social media platforms become more valuable as more people use them.
4. companies can also focus on creating an **emotional connection** with their customers.

Value for Employees

1. **Better compensation** or by creating more attractive working conditions, such as flexible schedules or opportunities for growth and development. By making the job more attractive, companies can lower the willingness to sell and create value for their employees.
2. Provide **training** and **development opportunities** to help their employees grow and reach their full potential.

This can lead to greater job satisfaction, increased productivity, and lower turnover rates.

Value for Suppliers

1. companies need to offer fair compensation and foster long-term relationships. By treating suppliers well, companies can create a more stable supply chain and ensure that they have the materials they need to create value for their customers.
2. In addition, companies can also work closely with their suppliers to improve efficiency and reduce costs, which can lead to greater overall value for everyone involved.

This can also help to build trust and collaboration between companies and their suppliers.

The Strategy and Value Creation Relationship

- A well-defined strategy acts as a **roadmap** for **value creation**.
- It identifies your **target market**, defines your **competitive advantage**, and outlines how you'll deliver superior value to your customers.
- By **focusing** on the right things and **allocating resources** effectively, a good strategy helps you achieve your **value creation** goals.

Assessing a Good Strategy

- **Clear and concise:** Everyone in the organization should understand the goals and direction.
- **Customer-centric:** It should prioritize delivering value to your target audience.
- **Competitive:** It should identify and leverage your competitive advantage.
- **Feasible:** It should be achievable with your available resources and capabilities.
- **Adaptable:** It should be flexible enough to accommodate changing market conditions.

Measuring Strategy Success is Increasing.....

Business Growth

- Customer Demand
- Sales Revenues
- Repeat Business
- Business Volume
- Customer Retention
- Accessible Market
- Average Sale Value
- RFP's Received its quality and size

Strong Competitive Position

- Market Share
- Market Position
- Competitive Wins
- Growth Rate
- Margins
- Brand Awareness

Strong Financial Performance

- Gross Profits
- Gross Margin
- Operating Profits
- Operating Margin
- EBIT and EBITDA
- Return on Total Assets

Leadership and Value Creation

Leadership plays a pivotal role in the creation of value within an organization. Leaders are responsible for setting the strategic direction, fostering a culture that supports value creation, and ensuring that all parts of the organization are aligned towards achieving strategic objectives.

- 1. Vision and Strategy:** Leaders are the visionaries who set the strategic direction of the company. They identify opportunities for value creation and devise strategies to capitalize on these opportunities. They make crucial decisions about where to invest resources to generate the most value.
- 2. Culture and Values:** Leaders play a key role in shaping the company's culture and values. A culture that encourages **innovation, collaboration, and customer-centricity** can significantly enhance value creation. Leaders set the tone for this culture through their actions and behaviors.
- 3. Employee Engagement and Development:** Leaders have a direct impact on **employee engagement** and development. They can create value for employees by fostering a **supportive and inclusive work environment**, providing opportunities for growth and development, and recognizing and rewarding contributions.
- 4. Stakeholder Relationships:** Leaders also manage relationships with various stakeholders, including **customers, suppliers, shareholders, and the community**. They ensure that the company's activities align with stakeholder expectations and create value for all parties involved.
- 5. Change Management and Adaptability:** In a rapidly changing environment, leaders need to be **adaptable** and proficient in **change management**. They must be able to adjust their strategies in response to changes in the market, technology, or customer preferences, ensuring that the company continues to create value under changing circumstances.
- 6. Performance Measurement:** Leaders establish KPI's to measure the value created by the company's activities. They monitor these metrics regularly and use them to make informed decisions about strategy and resource allocation.

Innovation and Value Creation

Innovation is essential for businesses that want to stay ahead of the competition and create value for their stakeholders

New products and services:

Innovation can lead to the development of entirely new products and services that meet unmet customer needs or solve problems in new ways. This can create significant value for both the company and the customer.

Improved products and services:

Innovation can also lead to improvements in existing products and services. These improvements can make products and services more affordable, more efficient, more user-friendly, or more sustainable.

Enhanced customer experiences:

Innovation can also lead to the development of new and improved customer experiences. This can create value for customers by making it easier or more enjoyable for them to do business with a company.

Increased efficiency:

Innovation can also lead to increased efficiency in a company's operations. This can create value by reducing costs and improving profitability.

DIGITAL TRANSFORMATION AND VALUE CREATION

Digital transformation involves the integration of digital technology into all areas of a business, fundamentally changing how the organization operates and delivers value to its customers. Here's how digital transformation contributes to value creation:

- 1. Customer Experience:** Digital transformation can greatly enhance the customer experience, a key component of value creation. By leveraging technologies like AI, machine learning, and data analytics, businesses can personalize the customer experience, predict customer needs, and respond to issues more quickly, thereby increasing customer satisfaction and loyalty.
- 2. Operational Efficiency:** Digital technologies can streamline operations, reduce costs, and improve efficiency. For example, automation can handle repetitive tasks, freeing up employees to focus on more complex, value-adding activities. Similarly, advanced analytics can provide insights to optimize operations and decision-making.
- 3. Innovation:** Digital transformation often leads to innovation, another key driver of value creation. By leveraging technologies like cloud computing, IoT, and AI, businesses can develop new products, services, or business models that deliver greater value to customers.
- 4. Data-Driven Decision Making:** Digital transformation enables businesses to collect and analyze vast amounts of data. This data-driven approach can lead to more informed decision-making, helping businesses to better understand their market, customers, and operations, and make decisions that create more value.
- 5. Employee Engagement:** Digital tools can also enhance employee engagement and productivity. For example, collaboration tools can facilitate communication and teamwork, while learning platforms can provide opportunities for employee development.
- 6. Risk Management:** Digital transformation can also improve risk management, an often over-looked aspect of value creation. For instance, cybersecurity tools can protect valuable data, while data analytics can help identify and mitigate operational risks.

SUSTAINABILITY AND VALUE CREATION

Sustainability is increasingly becoming a central part of business strategy and value creation. It involves conducting business in a way that also contributes to environmental conservation and social well-being.

- 1. Customer Attraction and Loyalty:** More and more consumers are prioritizing sustainability in their purchasing decisions. Businesses that demonstrate a commitment to sustainability can attract these consumers and build stronger customer loyalty, thereby increasing the value they deliver to customers.
- 2. Operational Efficiency:** Sustainable practices often lead to greater operational efficiency. For example, energy-efficient equipment and waste reduction strategies can lower operating costs. Similarly, sustainable supply chain practices can reduce risks and ensure a more reliable supply of materials.
- 3. Innovation:** Sustainability can drive innovation, as businesses develop new products, services, or processes to reduce their environmental impact or contribute to social well-being. These innovations can create additional value for customers and differentiate the business from its competitors.
- 4. Employee Engagement:** Many employees, particularly younger generations, want to work for companies that share their values. Businesses that prioritize sustainability can attract and retain these employees, leading to higher engagement, productivity, and value creation.
- 5. Risk Management:** Sustainability can also help businesses manage risks. For example, businesses that proactively address their environmental impact can avoid regulatory fines, reputational damage, and other risks associated with environmental harm.
- 6. Long-Term Viability:** By preserving natural resources and contributing to social well-being, businesses can ensure their long-term viability. They depend on healthy societies and ecosystems to provide the resources they need and consume their products and services.
- 7. Stakeholder Relationships:** Sustainability can strengthen relationships with various stakeholders, including investors, regulators, and the community. Many investors are now prioritizing sustainability, and businesses that demonstrate a commitment to sustainability can attract investment and

Measuring Value Creation

- **Revenue Growth**: An increase in total sales.
- **Profit Margin**: The percentage of profit earned on each sale.
- **Economic Value Added (EVA)**: A measure of a company's economic profit after accounting for all costs of capital.
- **Return on Investment (ROI)**: A measure of the return on a particular investment.
- **Customer Lifetime Value (CLV)**: The total revenue a customer is expected to generate throughout their relationship with the company.

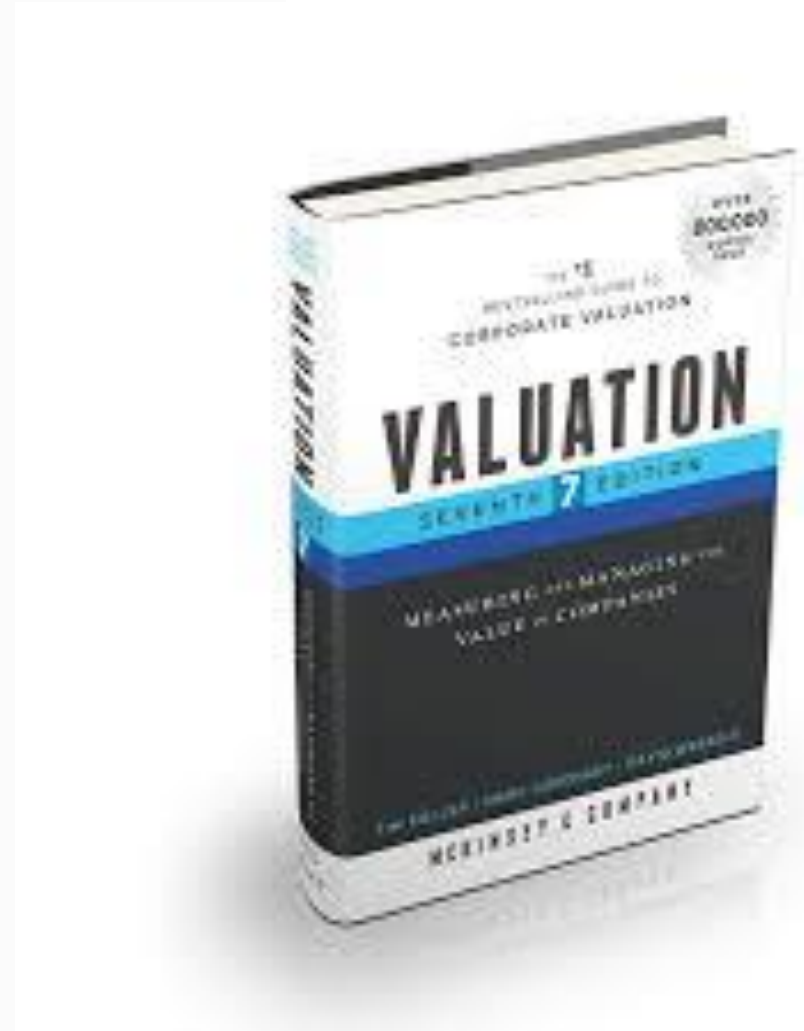
Valuation of a Company

There isn't a single, universally accepted way to value a company. The method used depends on the situation (e.g., public vs private company) and what factors are most important. Here are some common approaches:

- **Market Capitalization:** This is simplest for publicly traded companies. It's just the total stock price multiplied by the number of outstanding shares. So, if a company has 10 million shares outstanding trading at \$10 each, it would be valued at \$100 million.
- **Financial Statement Analysis:** This looks at a company's financial health through its balance sheet and income statement. One metric used is book value, which is total assets minus liabilities. However, this only reflects tangible assets and may not consider future earnings potential.
- **Discounted Cash Flow (DCF):** This method estimates the future cash flow a company will generate and then discounts it back to its present value. This considers a company's growth prospects and risk.
- **Market Multiples:** This compares a company to similar businesses in its industry. It looks at metrics like price-to-earnings (P/E) ratio and applies that multiple to the company's earnings to estimate its value.
- **Asset-Based Valuation:** This is relevant for companies where physical assets are a major factor, like real estate companies. It values the company based on the fair market value of its assets.
- Ultimately, a company's valuation considers a combination of these factors, along with **qualitative aspects** like **brand reputation, market position, and management expertise.**

McKinsey Valuation Method


1. Understand the Business
2. Forecast Financial Performance
3. Determine Discount Rates.
4. Calculate Terminal Value
5. Apply Sensitivity Analysis
6. Arrive at Valuation Range
7. Consider Market Comparable
8. Finalize Valuation Conclusion

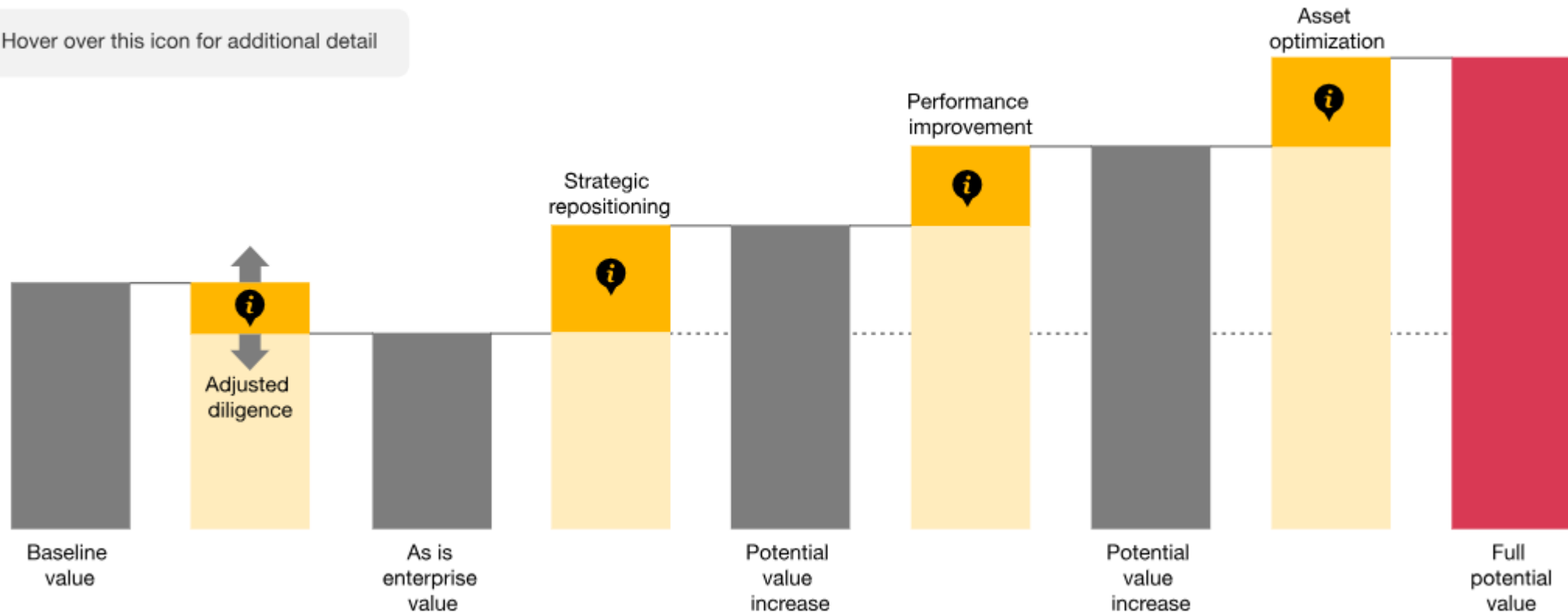


	A	B	C	D	E	F	G	H	I	J	K	L	M
1	© Corporate Finance Institute. All rights reserved.			Historical Results				Forecast Period					
2	FINANCIAL STATEMENTS			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
3	Balance Sheet Check			OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
108	DCF Model												
109													
110	Assumptions												
111	Tax Rate		25%										
112	Discount Rate		12%										
113	Perpetual Growth Rate		4%										
114	EV/EBITDA Multiple		8.0x										
115	Transaction Date		3/31/2018										
116	Fiscal Year End		12/31/2018										
117	Current Price		16.00										
118	Shares Outstanding		20,000										
119													
120													
121	Discounted Cash Flow	Entry	2018	2019	2020	2021	2022	Exit	Terminal Value				
122	<i>Date</i>	2018-03-31	2018-12-31	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2022-12-31	EV/EBITDA			812,428	
123	<i>Time Periods</i>		0	1	2	3	4						
124	<i>Year Fraction</i>		0.75	1.00	1.00	1.00	1.00	1.00					
125													
126	EBIT		39,866	36,890	37,013	74,263	86,887						
127	Less: Cash Taxes		9,966	9,223	9,253	18,566	21,722						
128	NOPAT		29,899	27,668	27,759	55,697	65,165						
129	Plus: D&A		13,132	13,786	14,211	14,487	14,667						
130	EBITDA		52,998	50,676	51,224	88,750	101,554						
131	Less: Capex		15,000	15,000	15,000	15,000	15,000						
132	Less: Changes in NWC		3,175	5,062	5,768	(2,613)	2,041						
133	Unlevered FCF		24,856	21,391	21,203	57,797	62,791	812,428					
134													
135	Transaction FCFF		-	18,642	21,391	21,203	57,797	62,791	812,428				
136													
137	IRR FCFF		(210,450)	18,642	21,391	21,203	57,797	62,791	812,428				
138													
139	Intrinsic Value			Market Value				Rate of Return					
140	Enterprise Value		598,465	Market Cap		320,000	Current Price		16.00				
141	Plus: Cash		139,550	Plus: Debt		30,000	Target Price		35.40				
142	Less: Debt		30,000	Less: Cash		139,550	Target Price Upside		121%				
143	Equity Value		708,015	Enterprise Value		210,450	IRR		43%				
144													
145	Equity Value/Share		35.40	Equity Value/Share		16.00							
146													

PwC Value Bridge

Value levers help identify and evaluate for value creation, both organic and inorganic. Initiatives to be prioritized that will capture the most value.

 Hover over this icon for additional detail



7 Value Creation Lessons from Private Equity

- 1. Focus relentlessly on value.
- 2. Remember that cash is king
- 3. Operate as though time is money
- 4. Apply a long-term lens.
- 5. Assemble the right team
- 6. Link pay and performance.
- 7. Select stretch goals.

TOP 10 Private Equity Firms In The World

The Blackstone Group

KKR

CVC

THE CARLYLE GROUP

THOMABRAVO

VISTA
EQUITY PARTNERS

TPG

EQT

WARBURG PINCUS

NEUBERGER BERMAN

Real-World Value Creation

Innovation and Brand Loyalty

By consistently innovating and delivering high-quality products that meet evolving customer needs, Apple has established a loyal customer base and sustained value creation.

Product Innovation

Apple has consistently created value through innovative products like the iPhone, iPad, and MacBook. Their focus on design, functionality, and user experience has set them apart in the technology market.

Ecosystem

Apple has created a robust ecosystem of interconnected devices and services (iOS, macOS, Apple Watch, Apple TV, Apple Music), which enhances customer loyalty and increases the lifetime value of customers.

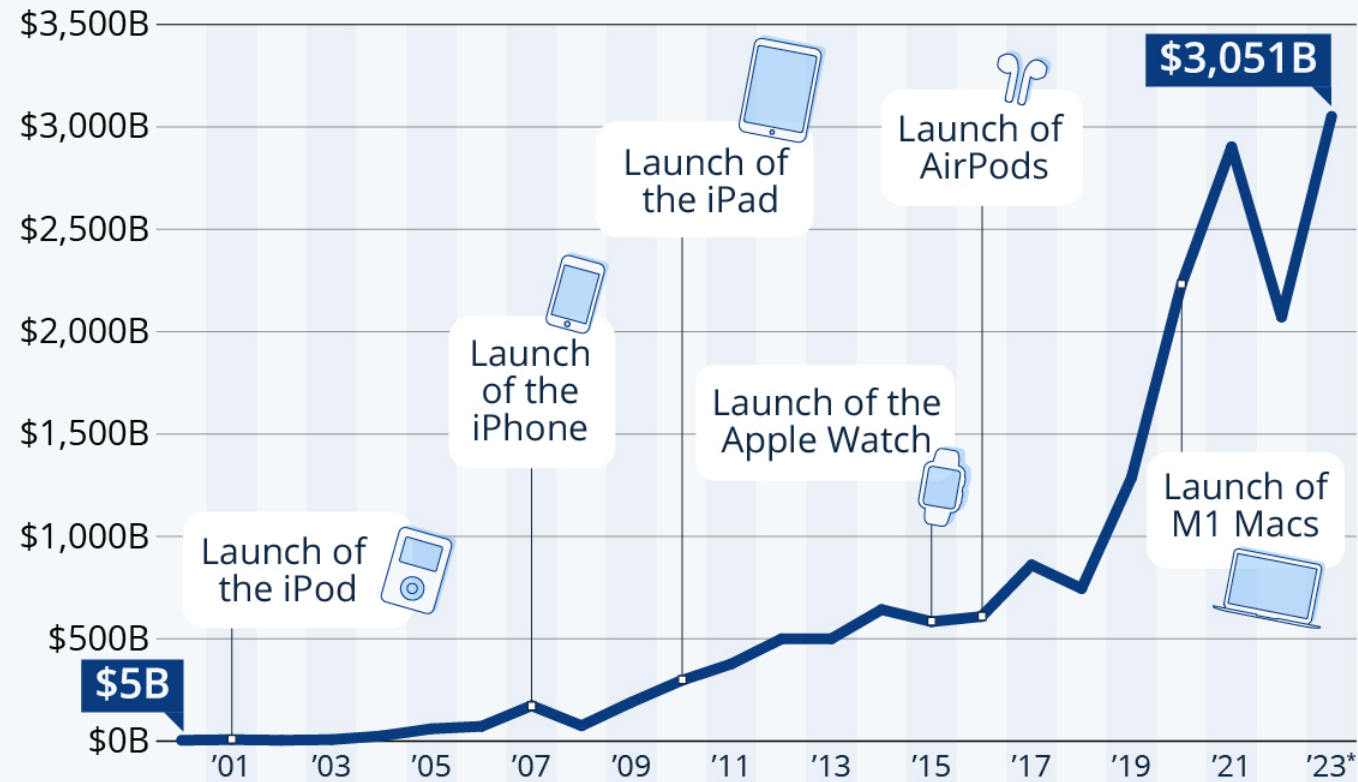
Brand Loyalty

Apple's strong brand and loyal customer base allow it to command premium pricing, leading to high-profit margins and sustained revenue growth.



Apple's Road to \$3 Trillion
































Apple's market capitalization at the end of the respective year*



* As of market close on June 30, 2023

Sources: Wolfram | Alpha Knowledgebase, Yahoo Finance



Rank	Name	Market Cap	Price	Today	Price (30 days)	Country
1	 Apple AAPL	\$2.994 T	\$192.53	▼ 0.54%		 USA
2	 Microsoft MSFT	\$2.794 T	\$376.04	▲ 0.20%		 USA
3	 Saudi Aramco 2222.SR	\$2.136 T	\$8.82	▲ 0.15%		 S. Arabia
4	 Alphabet (Google) GOOG	\$1.755 T	\$140.93	▼ 0.25%		 USA
5	 Amazon AMZN	\$1.570 T	\$151.94	▼ 0.94%		 USA
6	 NVIDIA NVDA	\$1.223 T	\$495.22	▲ 0.00%		 USA
7	 Meta Platforms (Facebook) META	\$909.62 B	\$353.96	▼ 1.22%		 USA
8	 Tesla TSLA	\$789.89 B	\$248.48	▼ 1.86%		 USA
9	 Berkshire Hathaway BRK-B	\$776.89 B	\$356.66	▼ 0.25%		 USA
10	 Eli Lilly LLY					 USA

Real-World Value Creation Transition to Cloud Computing



Cloud Services

Microsoft's shift to cloud computing with Azure has been a major growth driver. Azure provides a comprehensive suite of cloud services, attracting a wide range of enterprise customers.

Subscription Model

Transitioning traditional software products like Office to subscription-based models (Office 365) has ensured recurring revenue and higher customer lifetime value.

Acquisitions

Strategic acquisitions such as LinkedIn and GitHub have expanded Microsoft's reach and capabilities, integrating these platforms into its broader ecosystem. More recent acquisition include Open AI.



Real-World Value Creation

Customer-Centric Approach and Operational Efficiency

Through its focus on customer convenience and a vast product selection, Amazon has revolutionized the retail landscape and continues to deliver exceptional value to its customers and shareholders.

Customer-Centricity

Amazon's relentless focus on customer satisfaction through **fast delivery, competitive pricing, and a vast selection of products** has driven significant growth.

Operational Efficiency

Amazon has invested heavily in its **logistics network and technology, including AI and machine learning, to optimize inventory management, reduce costs, and improve delivery times.**

AWS (Amazon Web Services)

AWS has become a **major revenue driver by offering scalable and cost-effective cloud computing** solutions, contributing significantly to Amazon's profitability.



Real-World Value Creation

Sustainable Innovation and Market Disruption

Electric Vehicles (EVs)

Tesla has revolutionized the automotive industry by producing high-performance electric vehicles that appeal to a broad market. Their focus on sustainability aligns with growing environmental concerns.

Autonomous Driving

Tesla's advancements in autonomous driving technology and over-the-air software updates have positioned it as a leader in automotive innovation.

Energy Solutions

Beyond vehicles, Tesla's energy products, such as solar panels and the Powerwall battery storage system, create additional value streams and support a sustainable energy ecosystem.

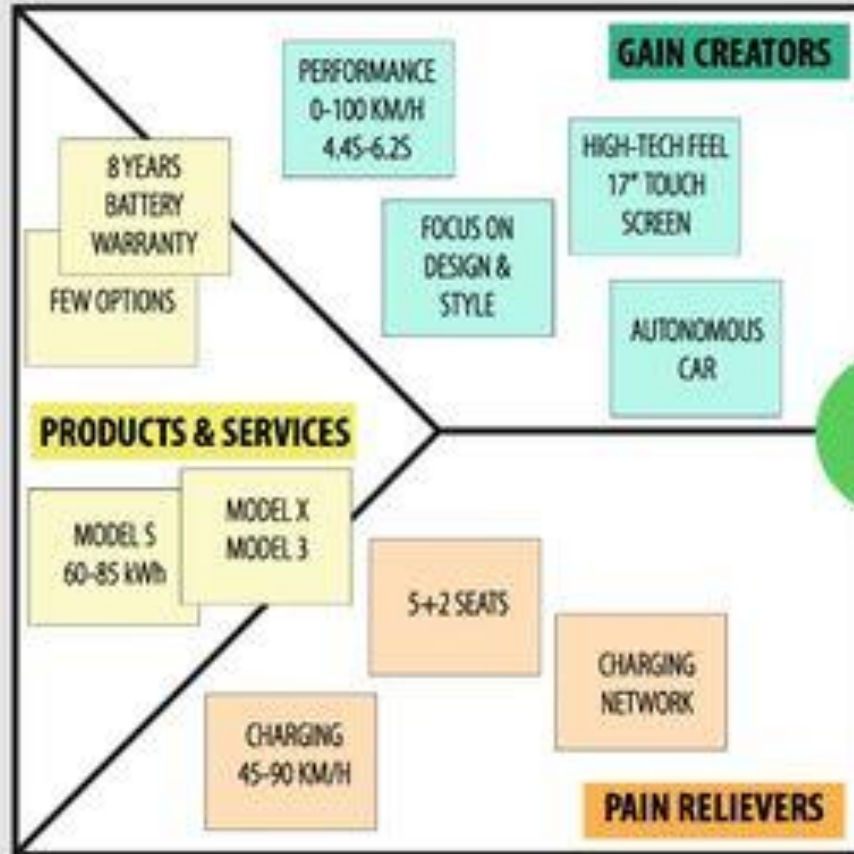


VALUE PROPOSITION CANVAS

TESLA

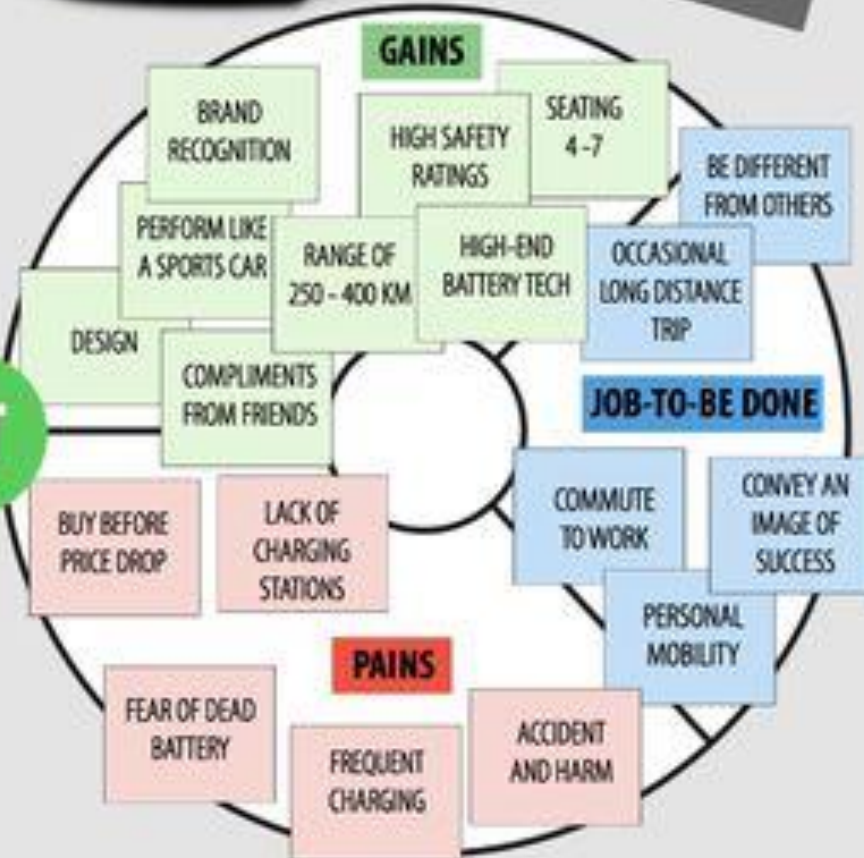


UPPER MIDDLE CLASS MALE \$100k+ INCOME



Value Map

FIT



Customer Profile

Real-World Value Creation

Content and Data driven Strategy

Original Content

Netflix's investment in original content like "Stranger Things," "The Crown," and "Money Heist" has attracted millions of subscribers and created a competitive advantage in the streaming market.

Data Analytics

Netflix uses data analytics to personalize recommendations, improve user experience, and guide content creation decisions, increasing user engagement and retention.

Global Expansion

Strategic expansion into international markets has broadened Netflix's subscriber base and diversified its revenue streams.



NETFLIX



Real-World Value Creation Brand Management & Innovation

Brand Portfolio

P&G's diverse portfolio of trusted brands (e.g., Tide, Gillette, Pampers) allows it to capture a significant share of various consumer markets.

Innovation

Continuous innovation in product development and marketing has kept P&G's brands relevant and in demand.

Sustainability

P&G's commitment to sustainability and social responsibility has enhanced its brand reputation and appeal to environmentally conscious consumers.



Real-World Value Creation

Customer Experience and Global Expansion

Customer Experience

Starbucks creates value through an exceptional customer experience, offering high-quality products, a comfortable ambiance, and a personalized service.

Digital Innovation

The Starbucks Rewards program and mobile app enhance customer engagement and loyalty, driving repeat business.

Global Expansion

Strategic global expansion has allowed Starbucks to tap into new markets while maintaining brand consistency and quality.



Real-World Value Creation Innovation and Strategic Alliances



COVID-19 Vaccine Development

Pfizer, in partnership with BioNTech, developed one of the first COVID-19 vaccines. The rapid development and distribution of this vaccine were crucial in addressing the global pandemic, showcasing Pfizer's capacity for innovation and responsiveness.

R&D Investments and Pipeline Development

Pfizer has continuously invested in research and development to maintain a robust pipeline of new drugs. This long-term investment in R&D has resulted in groundbreaking therapies in oncology, cardiology, and other critical areas.

Strategic Acquisitions

Hospira, a leading provider of injectable drugs and infusion technologies, have expanded Pfizer's product offerings and market reach, adding value through diversification and growth in complementary markets.

Digital Transformation - AI and Data Analytics

Pfizer leverages artificial intelligence and data analytics to streamline drug discovery and development processes, improve clinical trial efficiencies, and personalize patient care. These technological advancements enhance productivity and reduce time-to-market for new therapies, creating substantial value.

Real-World Value Creation Focus on Innovative Medicines and Operational Excellence



Innovative Medicines - Gene and Cell Therapies

Novartis has made significant strides in gene therapy with treatments like Zolgensma, a groundbreaking therapy for spinal muscular atrophy. Such high-impact innovations not only generate substantial revenue but also position Novartis at the forefront of medical advances.

Broad Portfolio

With a focus on specialty and primary care medicines, Novartis addresses a wide range of medical needs, driving growth through diverse revenue streams.

Operational Efficiency Digital Transformation

Novartis has implemented digital initiatives to enhance R&D efficiency and clinical trial management. Utilizing AI and machine learning, Novartis aims to reduce drug development timelines and costs, increasing overall efficiency and value creation.

Supply Chain Optimization

Continuous improvement in supply chain operations ensures the timely delivery of medicines worldwide, improving customer satisfaction and operational efficiency.

Strategic Divestments - Focusing on Core Areas

Novartis has strategically divested non-core assets, such as the sale of its eye care unit, Alcon, to focus on high-growth areas.

Real-World Value Creation Sustainability and Brand Portfolio

Sustainable Living Plan - Environmental Impact

Reducing waste and carbon footprint, reducing plastic usage and promoting recycling support a circular economy, which not only benefits the environment but also aligns with consumer preferences for sustainable products.

This commitment to sustainability attracts environmentally conscious consumers and investors, creating long-term value.

Strong Brand Portfolio – Diversification

Unilever's diverse brand portfolio, including well-known names like Dove, Knorr, and Ben & Jerry's, ensures a broad market presence across different consumer segments. This diversification reduces risk and capitalizes on multiple market opportunities.



Premium and Health-Focused Products

Unilever has expanded into premium and health-focused segments, catering to changing consumer trends. This shift towards higher-margin products drives profitability and market differentiation.

Digital and E-commerce Growth

Digital Marketing: Unilever has significantly invested in digital marketing and e-commerce platforms to reach a broader audience and engage consumers effectively. This digital transformation has enhanced brand visibility and sales, particularly in direct-to-consumer channels.

Data-Driven Insights: Leveraging data analytics for consumer insights allows Unilever to personalize marketing strategies and product offerings, increasing customer satisfaction and loyalty.

Conclusion: Strategy & Value Creation

1. **Strategy** is a **process to create value** for customers, employees, and suppliers.
2. **Value** is the difference between **willingness to pay and willingness to sell**, and it can be created by focusing on **quality, compliments, network effects, and emotional connections**.
3. Companies can create value for **employees** by making jobs more **attractive** through better **compensation, working conditions, and opportunities for growth and development**.
4. Creating value for **suppliers** involves offering **fair compensation, fostering long-term relationships, and collaborating to improve efficiency and reduce costs**.
5. Apple and Netflix serve as examples of companies that have successfully created value through **innovation and strong company culture**.
6. **Adapting to challenges, being resilient, and maintaining clear communication** are crucial for successfully implementing and executing a strategy.
7. Focusing on **value creation, innovation, and effective communication** will lead to **sustainable growth, profitability**, and strong relationships with all stakeholders.

Thank you

QUESTIONS?