



**STRATEGIC  
MANAGEMENT  
SERIES**

# Strategic Planning: From the Inside and the Outside

Robert Cochanski Rodriguez

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The Association of  
Accountants and  
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in Business

# Webinar Features and CPE Credit

Q&A

Asking Questions




Help



CPE Credit

## CPE Credit

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# Moderator



**Terry Mormile, CPA, CAE**  
**Director, Educational Initiatives &  
Career Services**  
**IMA**

# Featured Presenter



**Robert Cochanski Rodriguez**  
**General Manager –**  
**Cummins Emission Solutions EMEA and**  
**Doser Technology Business**  
**Cummins, Inc.**

# Robert Cochanski Rodriguez's Biography

- Robert is the General Manager of Cummins Emission Solutions (CES) for Europe, Africa, and Middle East. In this role, he leads CES' business and operations across three sites, and has global customer and product responsibilities. Robert began his career with Cummins in 2014 and has held multiple roles in Corporate Strategy and as Business Unit Strategy Leader. He has led strategy and M&A projects to transition Cummins to the leader in hybrid, electric and fuel cell powertrain technologies.
- Prior to Cummins, Robert worked as strategy consultant and in the commercial vehicle industry in the U.S., Germany and Mexico.

# Learning Objectives

*Upon completing this webinar, you will be able to:*

1. Identify the major processes that enable strategic planning.
2. Recognize common pitfalls in strategic planning.
3. Describe best practices in strategic planning for your organization

# Polling Question 1

How well does your organization's strategic planning process represent the real situation?

- a) Perfectly
- b) Reasonably well
- c) Not at all

# Polling Question 1 Results (Placeholder)

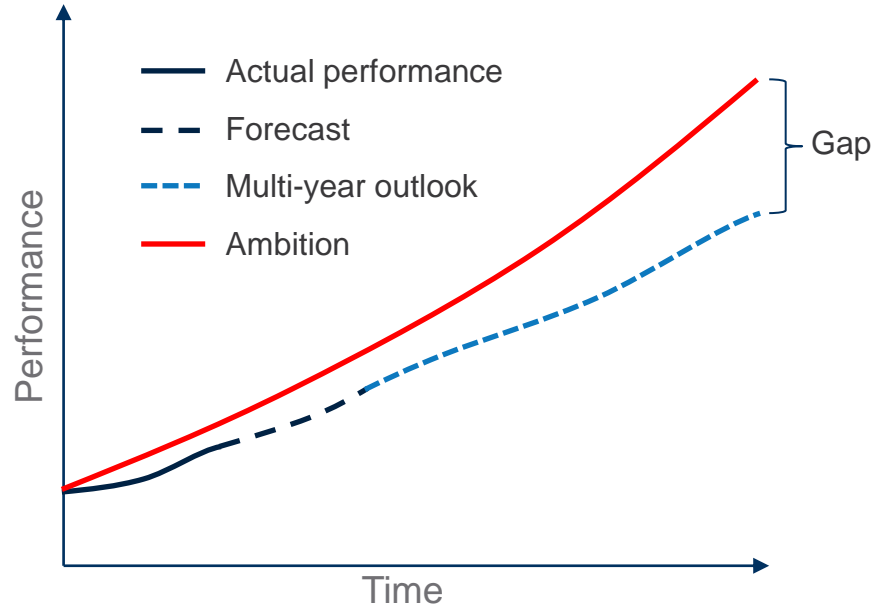




# Strategic Planning: From the Inside and the Outside

- Goals of strategic planning
- Processes and steps of successful strategic planning
- My experience what works and what does not

# The Basics of Strategic Planning



## Strategic planning

1. Align on the ambition
2. Set the baseline (performance, forecast, multi-year outlook)
3. Understand the gap
4. Develop strategies to close the gap

# Polling Question 2

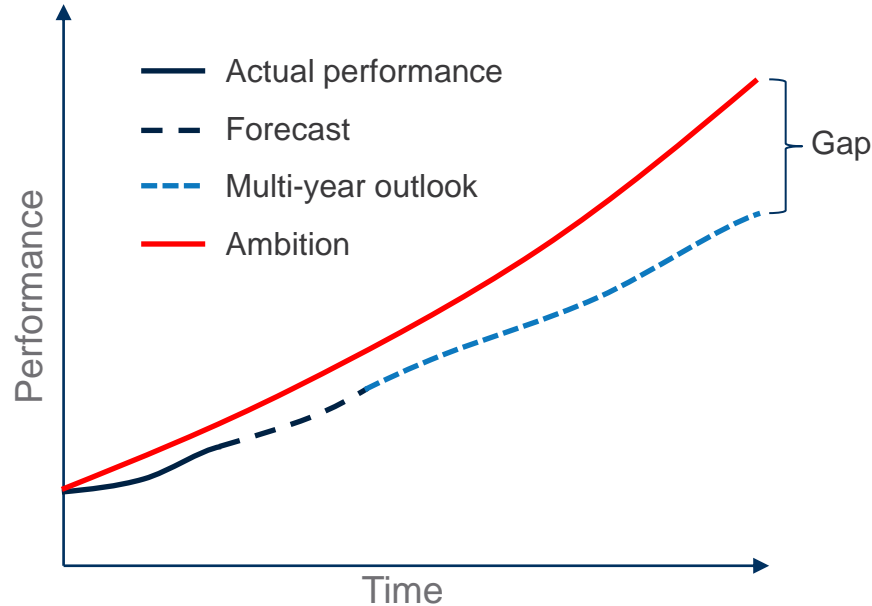
Which part of your organization runs the strategic planning process?

- a) Finance
- b) Strategy
- c) Competitive Intelligence
- d) Outside experts, e.g., Strategy Consultants
- e) Other
- f) I don't know

# Polling Question 2 Results (Placeholder)



# The Basics of Strategic Planning



## Strategic planning

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Over the next 30 minutes,  
we will dive into each step

# 1 Align on the Ambition

- Typically, performance is measured as a financial figure, e.g. revenue, earnings (EBIT, EBITDA, etc.), EPS, ...
- The financial figure should translate back to the overall strategy of the company and the owners, e.g. Total Shareholder Return
- Time frames vary by company, industry, region, culture, etc., but recommendation is between 5 and 10 years
- Developing strategic initiatives
- Include non-financial aspects, if applicable

# 1 Definition: Total Shareholder Return (TSR)

$$\text{TSR} = \frac{(\text{Current Price} - \text{Purchase Price}) + \text{Dividends}}{\text{Purchase Price}}$$

$$\text{TSR} = \frac{(\$120 - \$100) + \$10}{\$100} = 30\%$$

# 1 Pros and Cons of TSR

## Pros

- Simple to calculate, easy to understand
- More complete evaluation of investment's worth
- Easy to compare to other companies or benchmarks
- Good gauge of long-term performance

## Cons

- Limited to past performance, no sense of future returns
- Effective only for investments with cash inflows
- Sensitive to stock market sentiment
- Doesn't reflect size of investment



# 1 Total Shareholder Return and Ambition

$$\text{TSR} = \frac{(\text{Current Price} - \text{Purchase Price}) + \text{Dividends}}{\text{Purchase Price}}$$



$$\text{TSR} = \frac{(\text{Future Price} - \text{Today's Price}) + \text{Dividends}}{\text{Today's Price}}$$

# 1 Total Shareholder Return and Ambition

$$\text{TSR} = \frac{(\text{Future Price} - \text{Today's Price}) + \text{Dividends}}{\text{Today's Price}}$$

$$\text{Price} = \frac{\text{Earnings} \times \text{Price-to-Earnings Multiple}}{\text{Shares Outstanding}}$$

# 1 Total Shareholder Return and Ambition - Example

$$\text{Future Price} = \frac{\$1,200,000,000 \times 10}{100,000,000} = \$120$$

$$\text{Today's Price} = \frac{\$1,000,000,000 \times 10}{100,000,000} = \$100$$



$$\text{TSR} = \frac{(\$120 - \$100) + \$10}{\$100} = 30\%$$

# 1 Total Shareholder Return and Ambition - Example

Need to reach 40% TSR (instead of 30%)?

$$\text{TSR} = \frac{(\$120 - \$100) + \$10}{\$100} = 30\%$$

$$\text{Future Price} = \frac{\$1,200,000,000 \times 10.00}{100,000,000} = \$120$$

# 1 Total Shareholder Return and Ambition - Example

Need to reach 40% TSR (instead of 30%)?

$$\text{TSR} = \frac{(\$130 - \$100) + \$10}{\$100} = 40\%$$

$$\text{Future Price} = \frac{\$1,300,000,000 \times 10.00}{100,000,000} = \$130$$

Increase future earnings to \$1.3B from \$1.2B?

# 1 Total Shareholder Return and Ambition - Example

Need to reach 40% TSR (instead of 30%)?

$$\text{TSR} = \frac{(\$130 - \$100) + \$10}{\$100} = 40\%$$

$$\text{Future Price} = \frac{\$1,200,000,000 \times 10.00}{92,307,692} = \$130$$

Buy back shares?

# 1 Total Shareholder Return and Ambition - Example

Need to reach 40% TSR (instead of 30%)?

$$\text{TSR} = \frac{(\$130 - \$100) + \$10}{\$100} = 40\%$$

$$\text{Future Price} = \frac{\$1,200,000,000 \times 10.83}{100,000,000} = \$130$$

Increase multiple?

# 1 Total Shareholder Return and Ambition - Example

Need to reach 40% TSR (instead of 30%)?

$$\text{TSR} = \frac{(\$120 - \$100) + \$20}{\$100} = 40\%$$

Increase dividends per share from \$10 to \$20?



# 1 Total Shareholder Return and Ambition

$$\text{TSR} = \frac{(\text{Future Price} - \text{Today's Price}) + \text{Dividends}}{\text{Today's Price}}$$

$$\text{Price} = \frac{\text{Earnings} \times \text{Price-to-Earnings Multiple}}{\text{Shares Outstanding}}$$

Earnings, Dividends, Multiples, and Shares Outstanding are important factors on setting the ambition.

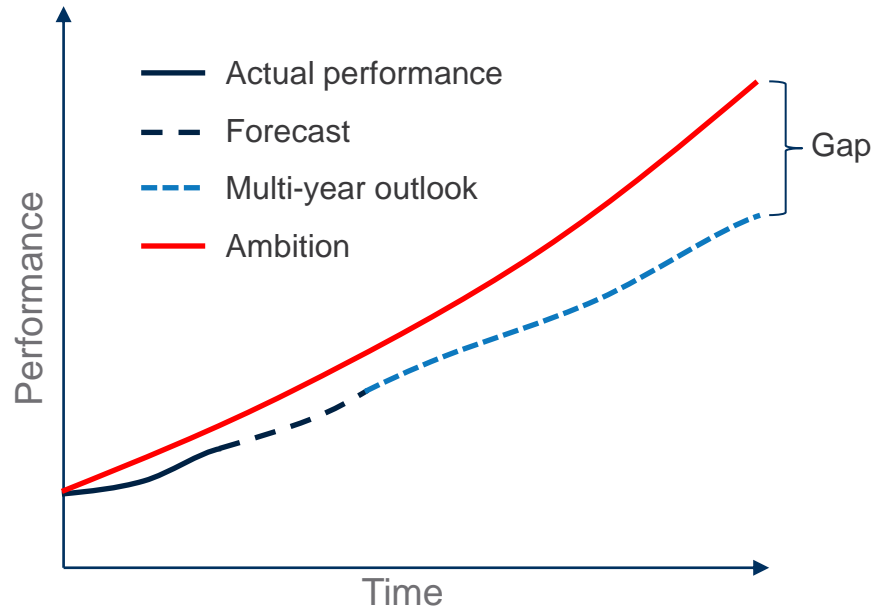
Start with the alignment on TSR over a given period.

Note: Multiples are the most difficult to purposefully manage.

# 1 Align on the Ambition - Summary

- Typically, performance is measured as a financial figure, e.g. revenue, earnings (EBIT, EBITDA, etc.), EPS, ...
- The financial figure should translate back to the overall strategy of the company and the owners, e.g. Total Shareholder Return.
- Time frames vary by company, industry, region, culture, etc., but recommendation is between 5 and 10 years.

# The Basics Of Strategic Planning



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## 2 Set the Baseline - Basics

- Bottom-up process
- Representative of market trends and forecast, recent momentum and current strategy
- Ideally 5-10 year outlook (leverage current year view as first year)
- Ideally based on value centers
- Need value center specific multi-year targets derived from ambition, e.g. EBIT growth targets

## 2 Set the Baseline

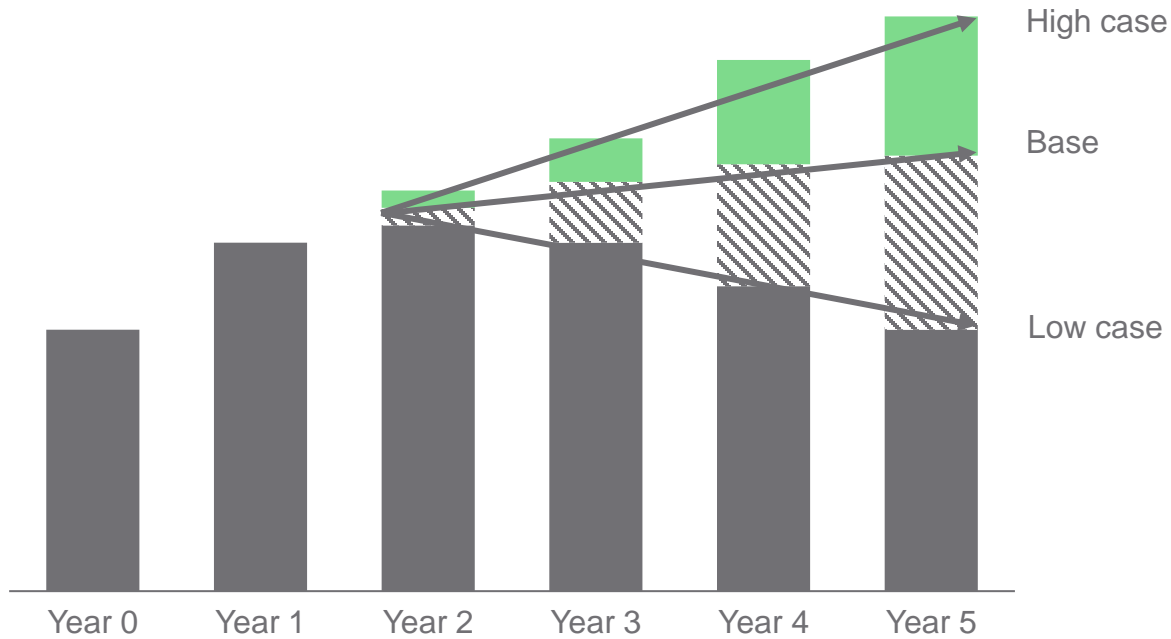
- A. Align on methodology and gather key inputs
- B. Create scenarios, iterate, refine, build consensus, and use scenarios to develop the organization-wide outlook

## 2 Align on Methodology and Gather Key Inputs

<b>Financial performance</b>	<ul style="list-style-type: none"><li>• Understand drivers of historical performance and current forecast</li></ul>
<b>Underlying market</b>	<ul style="list-style-type: none"><li>• Determine growth expectations based on market size and growth</li><li>• Search for and identify key trends which may influence opportunities and threads</li></ul>
<b>Competitive analysis</b>	<ul style="list-style-type: none"><li>• Benchmark company performance in field of competitors (revenue growth, return on assets, profitability)</li><li>• Identify areas where performance varies from competitors and ability to improve</li></ul>

**Analysis by value drivers is superior to analysis by organization structure**

## 2 Create Scenarios, Iterate, Refine And Build Consensus



# Polling Question 3

What tools does your organization use? (please select all that apply)

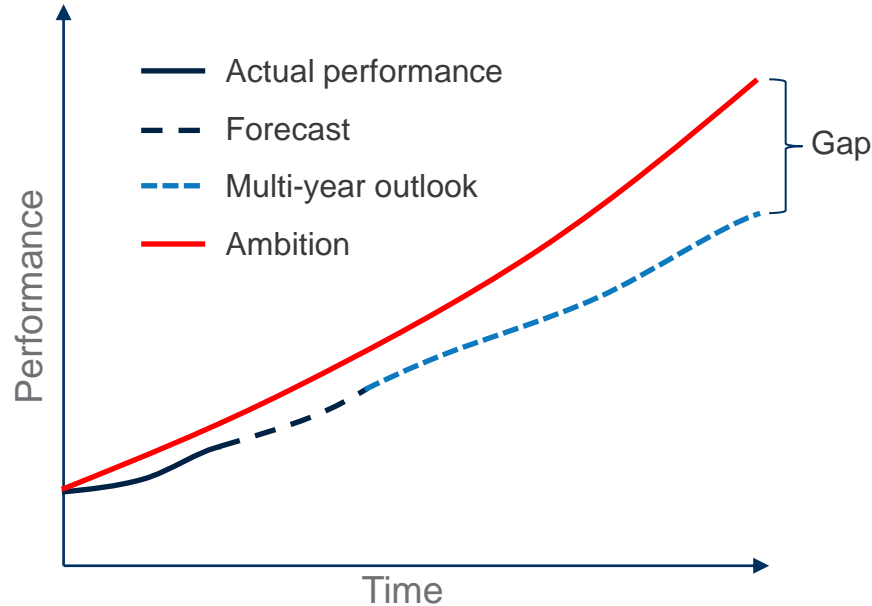
- a) PEST/PESTEL analysis
- b) Scenario planning
- c) Porter's Five Forces
- d) SWOT analysis
- e) Growth-share matrix
- f) Balanced Scorecard
- g) Strategy maps
- h) Other
- i) None



# Polling Question 3 Results (Placeholder)



# The Basics Of Strategic Planning



## Strategic planning

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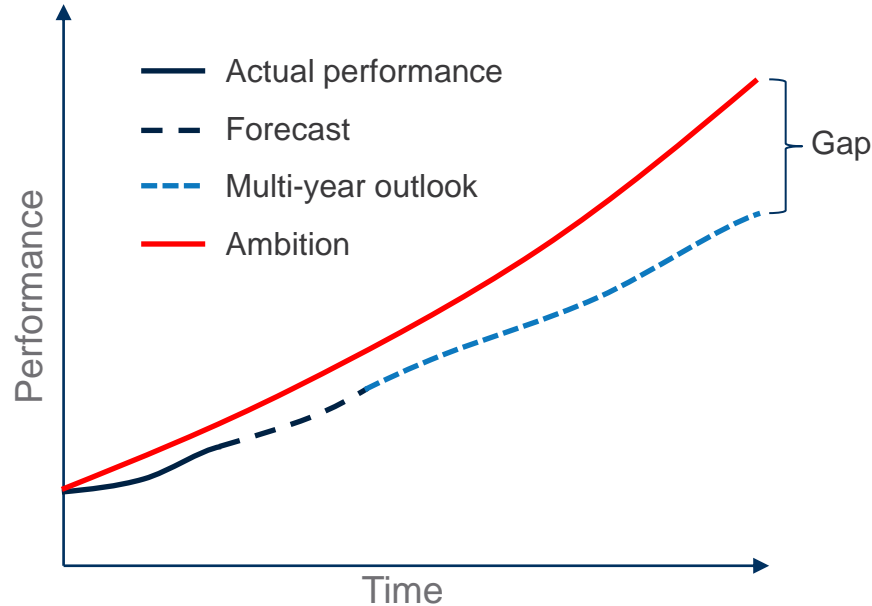
## 3 Understand the Gap

- After developing the organization-wide outlook, understand the gap between ambition and baseline
- Lay out reasons and rationale why the organization at current course is not meeting the ambition
- Develop a preliminary list of potential initiatives to narrow the gap (based on the scenarios for each value driver)
- Develop a preliminary list of potential initiatives to protect against downside risk

# 3 Initiatives Dos and Don'ts

DO	DON'T
Make specific statements	Ask open ended questions
Use value drivers	Focus on artificial structures of the organization
Give SMART objectives (specific, measurable, achievable, realistic and time-bound)	Get lost in theoretical ideas and concepts
Think in scenarios and options	Frame everything as „yes“ or „no“

# The Basics Of Strategic Planning



## Strategic planning

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## 4 Develop Strategies to Close the Gap

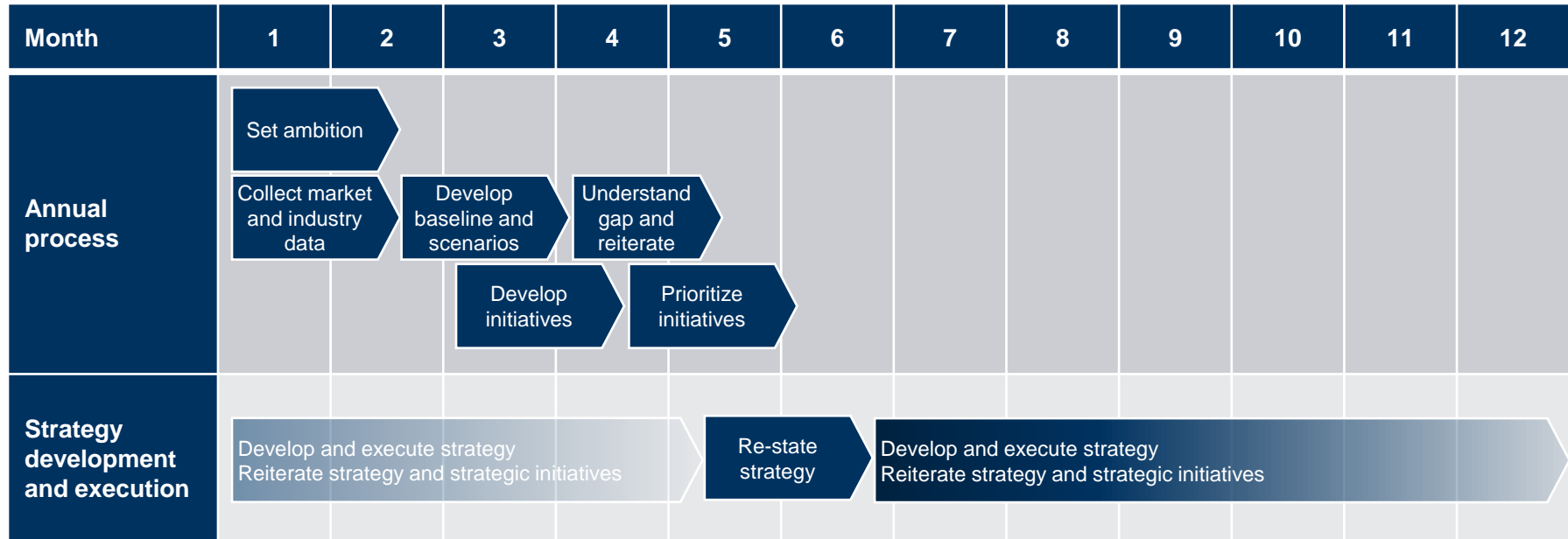
- Goal is to create the strategy and list of top priority strategic initiatives
- Start from the lists of potential initiatives to narrow the gap and initiatives to protect against downside risk
- Write charters for initiatives (background, problem definition, resources, timeline, etc.)
- Summarize strategic initiatives and develop overarching strategy – iterate so that overarching strategy is reflected in the strategic initiatives and vice versa

# Strategic Planning as an Annual Process

## Strategic planning

1. Align on the ambition
  2. Set the baseline (performance, forecast, multi-year outlook)
  3. Understand the gap
  4. Develop strategies to close the gap
- } Annual process (e.g. 2-4 months in spring)
- } Continuous

# Strategic Planning as an Annual Process





# Polling Question 4

How often does your company run the strategic planning process?

- a) Evergreen/Continuously
- b) Weekly
- c) Monthly
- d) Quarterly
- e) Semi-annually
- f) Annually
- g) Other
- h) Never

# Polling Question 4 Results (Placeholder)



# Key Learnings

- Tie strategy to overall ambition / vision / goals
- Think in dimensions that make sense
- Prioritize key initiatives
- Build “muscle” through a repeating process

# Questions & Answers

*Use the Q & A Panel to send your questions to our panelists.*



**Robert Cochanski Rodriguez**  
General Manager – Cummins Emission Solutions  
EMEA and Doser Technology Business  
Cummins, Inc.



**Terry Mormile, CPA, CAE**  
Director, Educational Initiatives  
& Career Services  
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# Thank You to Our Featured Presenter!



**Robert Cochanski Rodriguez**  
General Manager –  
Cummins Emission Solutions EMEA and  
Doser Technology Business  
Cummins, Inc.

# Final Reminders

- ▶ **Complete the Evaluation poll** – 2 options
  - On your screen
  - Evaluation Survey icon at the bottom of your console
- ▶ **Access to your CPE Certificate** – 2 options
  - Click the “CPE” icon at the bottom of your console  
or
  - Click the link in your post-event e-mail
- ▶ Please print a copy of the CPE certificate for your records.
- ▶ Your CPE credit will be automatically recorded in your transcript.





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