

## **Drivers of performance and the role of the board in achieving the goals of the business.**

Foss Initiatives and PostStone are hosting an occasional think-tank for directors and professional advisors, through 'kitchen table' conversations. The on-going subject has been business performance. From session to session, which may include some of the same or different contributors, we look at the drivers of performance and the role of the board in achieving the goals of the business.

There have been three episodes in the on-going series so far. Already, a few consistent themes have begun to surface. In the first session there were two key conclusions from a conversation about customer experience in B2B categories:

- Look at the business from the customer's point of view
- Make sure there is close engagement across your business and between the business and the customer

In the second and third sessions we turned our attention to the role of risk and reward in the buying process.

The approach to risk and reward depends on these factors:

For the buyer

- the level of risk and the kinds of performance risk of this particular transaction
- the level of personal risk and potential reward for the people who champion the buying decision
- the strategic importance of the item
- the character of the relationship with the seller: intimacy, respect, strategic importance
- the need for innovation in the product category
- the personal relationships with the people who represent the seller
- the availability of substitutes for the item
- the ability to inspect or measure the performance of the item as it is used by the buyer
- the strength of the business case before the purchase
- the impact of references from other buyers
- the impact of this transaction on other parts of the operation
- the impact of corporate culture and competitive circumstances on decision-making

For the seller

- the importance of achieving periodic market absorption targets, especially achieving the early adoption of differentiated new solutions
- the level of reward from a completed transaction
- the character of the relationship with the buyer: intimacy, respect, strategic importance

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- the risk of not completing the transaction
- the level of personal recognition for the people who successfully complete the transaction
- the need for reference customers
- the need to generate cash
- the personal relationships with the people representing the buyer
- the availability of alternative buyers
- the ability to inspect or measure the performance of the buyer in deploying the purchase
- the strength of the business case before the purchase
- the impact of references from other buyers
- the impact of this line of business on other lines of business or wider operations
- the impact of corporate culture and competitive circumstances on decision-making

These many factors make it necessary for the seller to analyse every situation to decide how to approach risk and reward. In some circumstances, when the risks are very clearly known and judged to be low, risk and reward discussion has no role in the buying process. At the other end of the scale, when risks are high and largely unknown, detailed discussion of risk and reward plays a vital role in the process.

How to make progress:

- Aim to drive this initiative from the board, through determining a risk appetite, appropriate governance structures and a learning (sometimes from failure) culture
- Understand where you already use risk / reward propositions today, even where you didn't realise it has been a risk / reward proposition. Use these as stories and examples for the future
- Identify areas where there is a manageable risk to your own business, but potentially great value to at least some of your clients
- Look for easy entries and 'thread sales', where profitable and mutual relationships can be developed and deepened
- Challenge and make risk visible

The conclusions from the previous discussion of customer experience apply. The challenges of managing risk and reward will be made easier when we look at the business from the customer's point of view. And make sure there is close engagement across your business and between the business and the customer.

Future 'kitchen table' conversations are planned to explore associated issues at various times through the year, primarily focusing on the B2B environment.

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