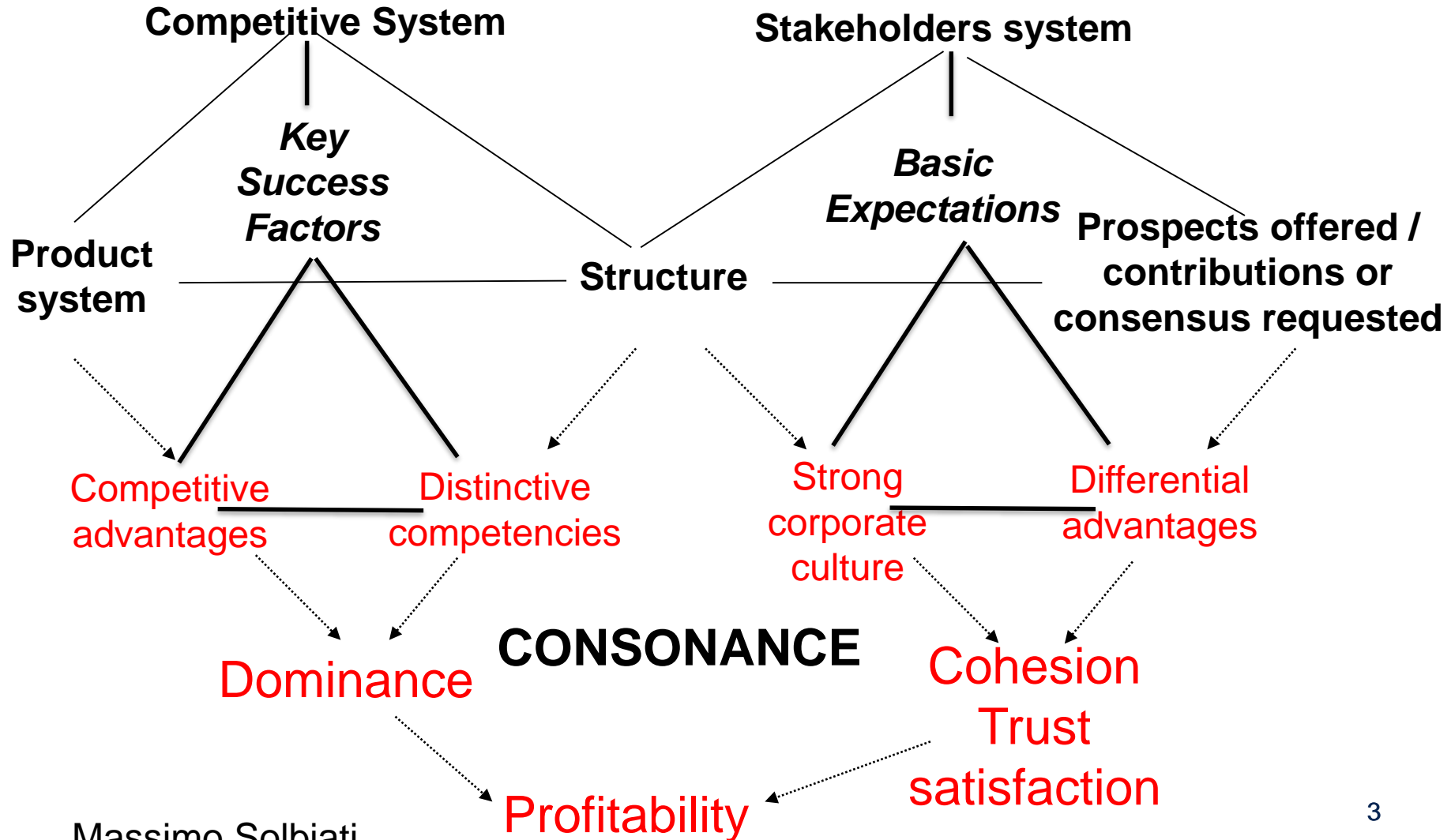


# Strategic Management

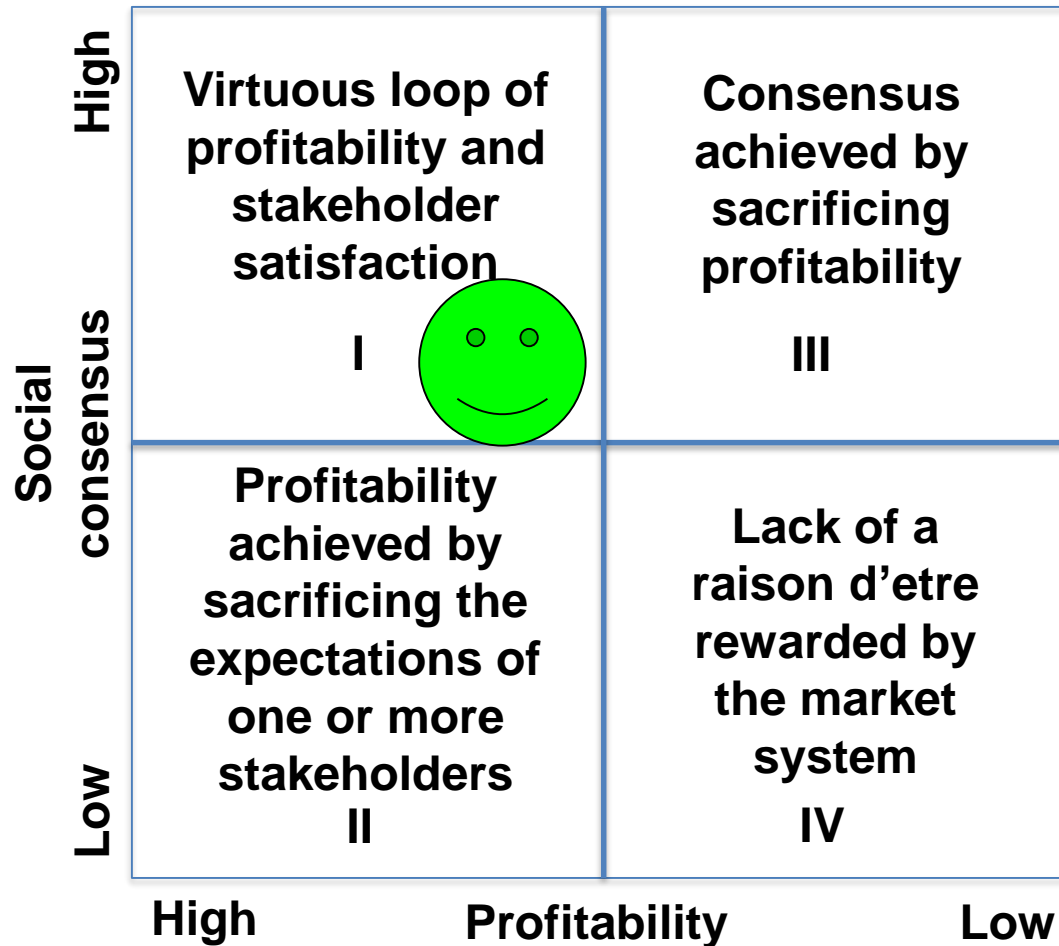
## 7th lesson

# **HOW TO EVALUATE AN ENTREPRENEURIAL FORMULA: EVALUATING AT FIRM OR CORPORATE LEVEL**

# Components of the entrepreneurial formula and their distinctive traits in successful firms (Vittorio Coda)



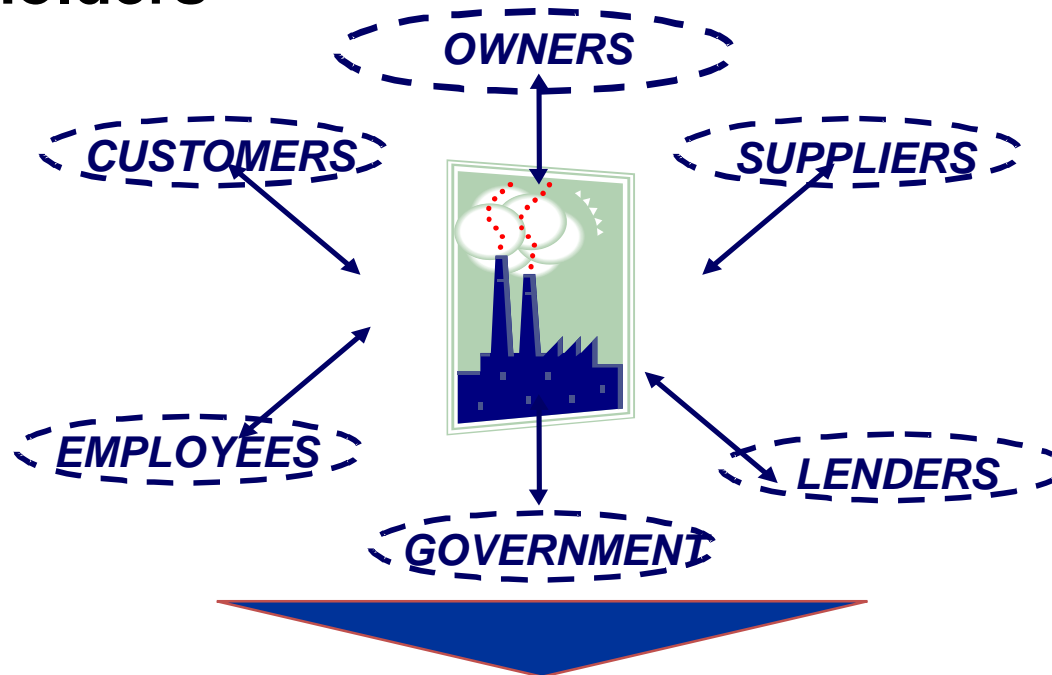
## Tool for the initial diagnosis of the strategic formula at firm level



### **Stakeholders System for social consensus**

- EMPLOYEES
- SHAREHOLDERS
- SUPPLIERS
- FINANCIAL PARTNERS
- LABOR UNIONS
- GOVERNMENT & LOCAL COMMUNITY

## Balancing Performance Expectations of Different Stakeholders



The **Sustainability Report** is the means by which a Company publicises its efforts and highlights the content and quality of the relations it has built up with each stakeholder, typically, in the three areas of responsibility: economic, environmental and social.

# Balancing Performance Expectations of Different Stakeholders: Employees

- **NUMBER AND COMPOSITION OF HUMAN RESOURCES**

### **Number**

- Personnel (no.)
- Breakdown by geographical area (%)

### **Changes in staff numbers**

- New recruits (no.)
- Terminations (no.)
- Staff turnover (%)
- Candidates interviewed per recruit (no.)

# Balancing Performance Expectations of Different Stakeholders: Employees

## • JOB SATISFACTION AND DEVELOPMENT

### Pay

- Average cost per person (€/000)
- Proportion of variable pay (%)
- Personnel with element of performance-related pay (Management by Objectives) (%)

### Training

- Training hours and costs person
- Incidence of training costs (%)
- Incidence of distance-learning (%)

### Knowledge management

- Distribution of corporate intranet or in social intranet (%)
- Development of knowledge management system (%)
- Knowledge-management projects (no.)
- Spending on knowledge management systems (million €)
- Degree of satisfaction of knowledge management system (min.)



### **Balancing Performance Expectations of Different Stakeholders: Employees**

- **EQUAL OPPORTUNITIES AND INDUSTRIAL RELATIONS**
  - Positions held by female employees, by grade (%)
- **WORKPLACE HEALTH AND SAFETY**
  - Employee accidents
  - Frequency of accidents (no.)
  - Safety expenditure per person (€)

# Balancing Performance Expectations of Different Stakeholders: Local Community

- **INITIATIVES FOR THE COMMUNITY**
  - Relations with interest groups
  - Special-interest groups with which company has regular relations (no.)
  - Special-interest groups involved in company projects (no.)
  - On-going and completed projects in collaboration with special-interest groups (no.)
  - Donations with social impact as % of pre-tax profits (%)
  - Donations made (€thousands)
  - Investment in the community (€thousands)
  - Commercial activities with social impact (€thousands)
  - Socially sustainable initiatives (€thousands)
- (...)

# Balancing Performance Expectations of Different Stakeholders: Local Community

- **ENVIRONMENTAL PERFORMANCE**
  - Polluting emissions
  - Waste produced (thousand tons)
  - Non-hazardous waste produced (thousand tons)
  - Special hazardous waste produced (thousand tons)
  - Waste recovery (%)
  - Impact on landscape/environment
  - Enhancement of telecommunication facilities (%)
- (...)

# Balancing Performance Expectations of Different Stakeholders: Shareholders

- **SHAREHOLDERS**

- Incidence of socially responsible investment funds on total float (%)
- Performance of shares (Position on Dow Jones Sustainability Index)
- Shareholder return
- Earnings per share (€/share)
- Cash flow per share (€/s)
- Operating performance
- Revenues (million €)
- Gross operating margin (million €)
- Net income (million €)
- Capital expenditure (%)
- ...

### **Stakeholder consensus start with employees / people**

Stakeholders consensus start with every member of an organization, from top management to the newly hired employee: people !

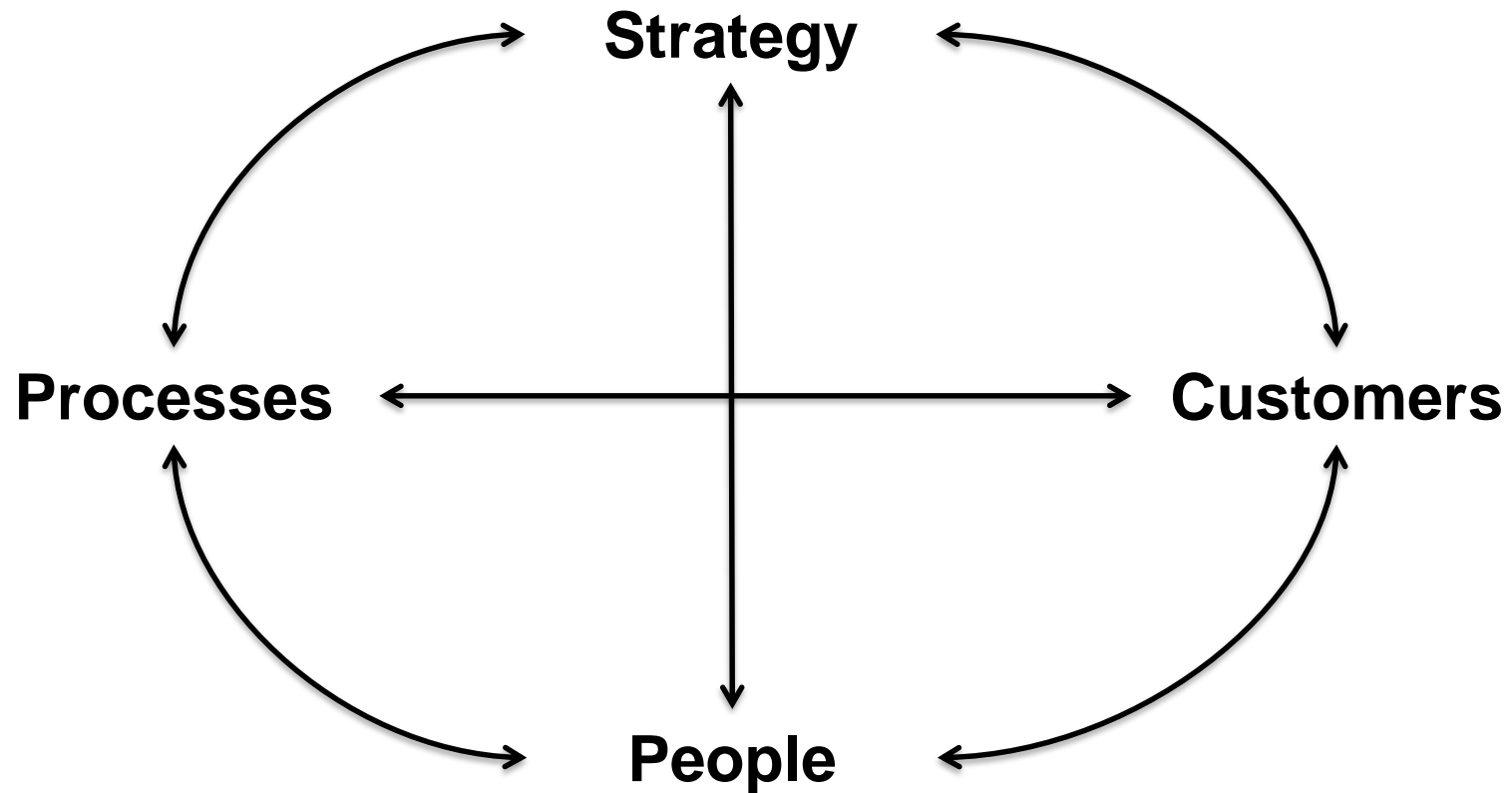
They are human: so in every firm managers must operate with an awareness of human feelings and needs.

People need communication (sometime digital communication) to survive !

### **Strategic alignment, an approach for social consensus:**

- Every member of an organization, from top management to the newly hired employee, shares an understanding of the business, its goals and purpose; every member know the mission of this organization.
- In every deparment every one know how he, or she, contributes to the company's business strategy.
- Every member can clearly state the needs of the company's customers and how its team contributes to satisfying these needs.

## Strategic alignment, an approach for social consensus:



### **Strategic alignment, an approach for social consensus:**

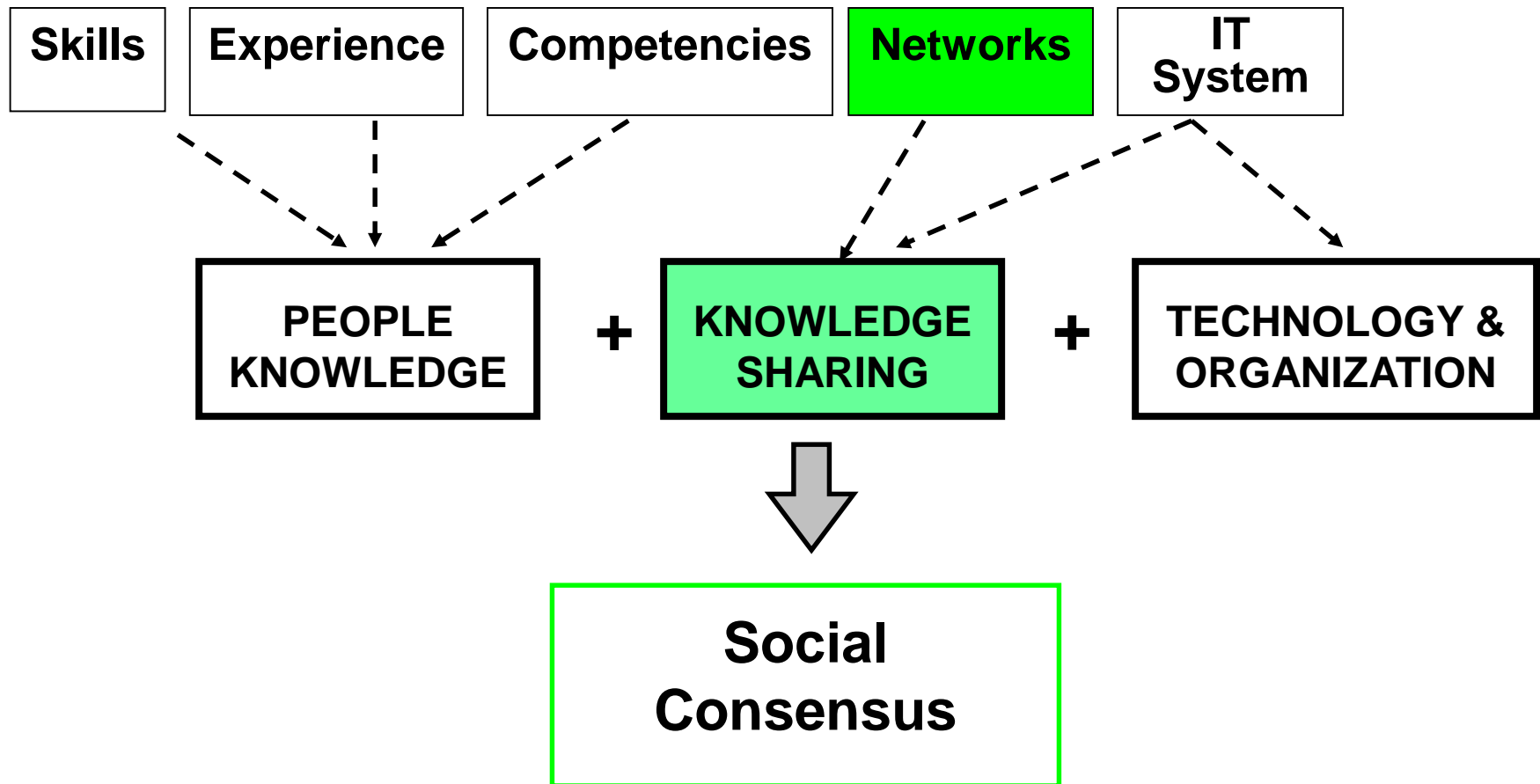
- **Strategy** - Is Strategy clearly communicated to people ? Are people willing to change when new strategies require it ?
- **People** - Do People cooperate within the organization to achieve customer satisfaction ? When processes are changed, is employee satisfaction measured ?



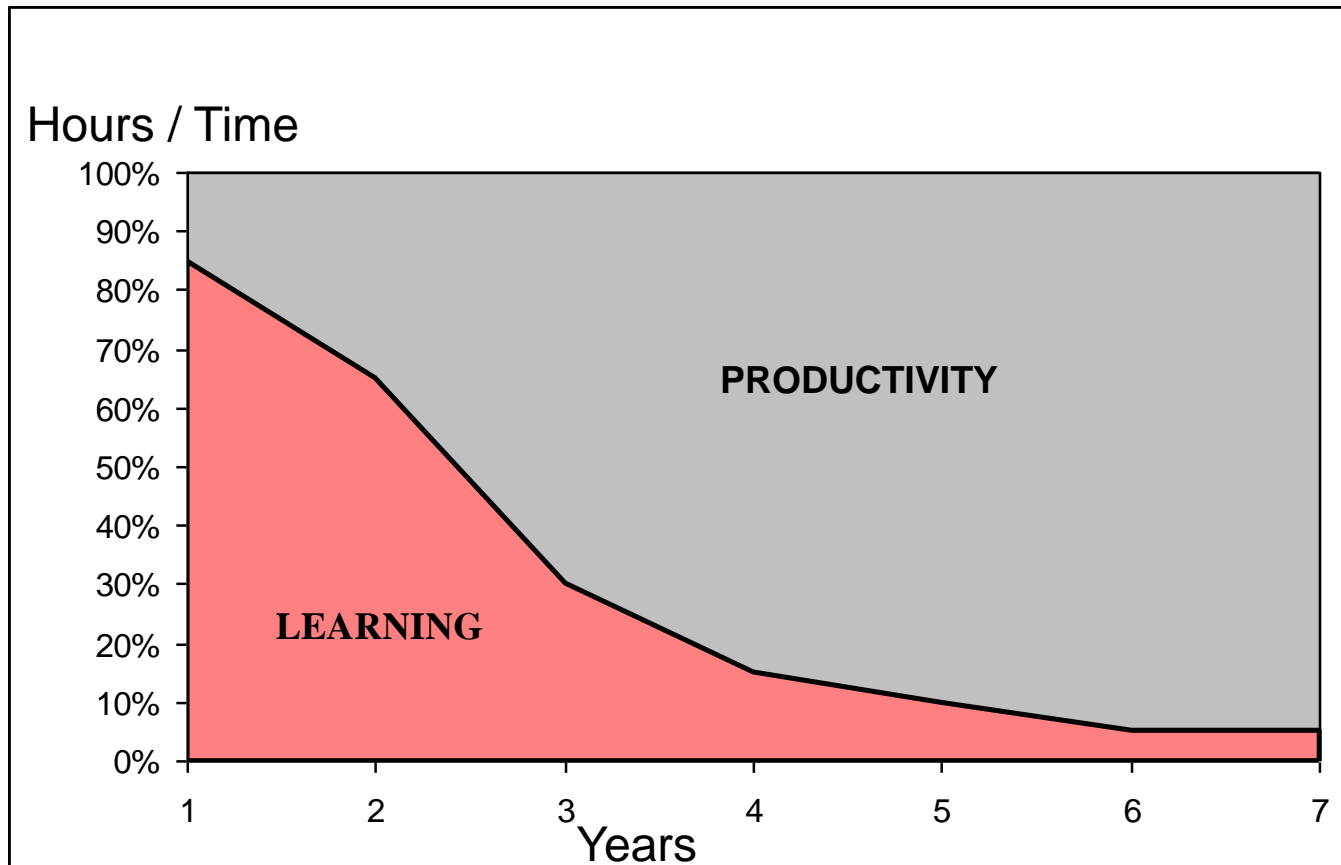
### **Strategic alignment, an approach for social consensus:**

- **Processes** – Are procedures clearly communicated to people ? Are people willing to change procedures when new strategies require it?
- **Customers** - Do People know customers needs ? For each service is provided a service level agreement ? Is customer satisfaction measured and communicated to people ?

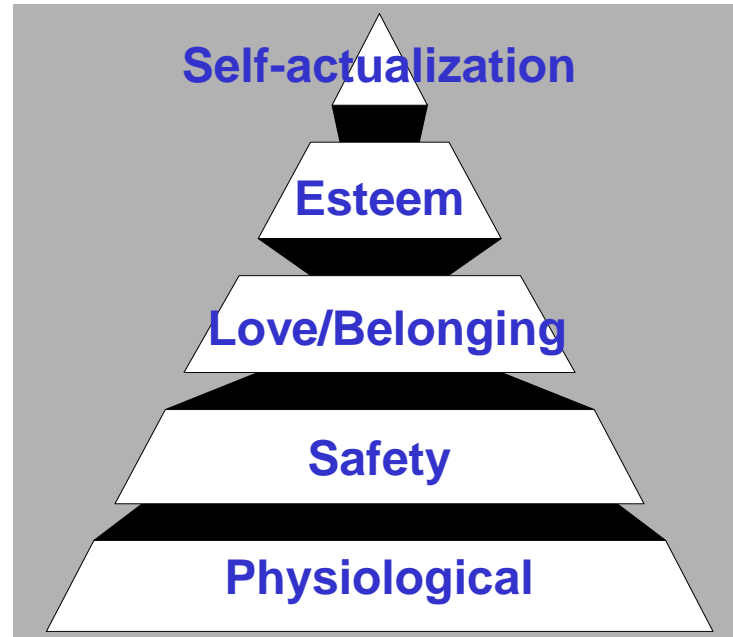
## Know-how and information sharing, an approach for social consensus



# Know-how and information sharing an approach for social consensus ... but also for learning



# What motivates people to work effectively towards the goals of any business?

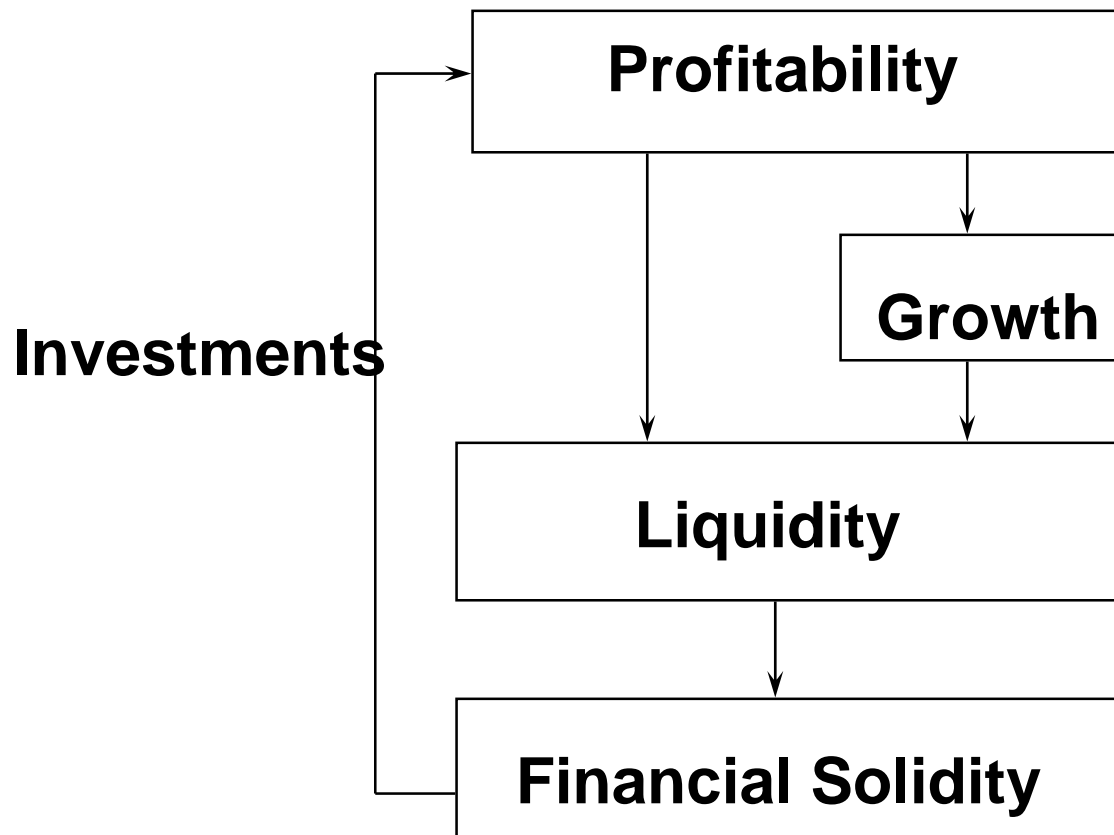


*Maslow's Hierarchy of Individual Needs*

- A need that has been satisfied is not motivating any more
- The higher needs are motivating only if the lower needs have already been satisfied

## Profitability

every business seeks to make profit because from profitability born the capabilities to generate financial resources for investments



**R.O.E. Return on Equity**

R.O.C.E. Return on Capital Employed

R.O.N.A. Return on Net Assets

R.O.S. Return on Sales

N.A.T. Net Assets Turnover



**Some  
Profitability  
Measures**