



Competitive **Edge** By Matt Lynch

You might have a problem if senior team members don't fit the description of an Active Strategic Leader

Shortly following the release of the Q1 2021 issue of the Executive Roundtable Journal, we received a number of comments and questions regarding our premise that the financial services business is potentially in the midst of dynamic change at all levels (creative destruction). Much of the feedback confirmed the notion — at least as measured by the number of executives who have recently embarked upon a complete review of business strategy. In addition, among those who have validated their strategic plan, most are at least completing a review of how their company's resources are aligned in support of their business strategy. The resources they most often referenced are talent and capital.

In recognition of changing business conditions and the 3-C Drivers — coupled with the impact of the pandemic, political power changes, and social unrest — it seems at the very least that business leaders should be engaged in some level of active strategic leadership.

S&R 3-C Drivers:

1. Changing expectations among clients and the advisors who serve them
2. Compliance and regulatory uncertainty
3. Competitor behavior in reaction to the two factors above

Active Strategic Leaders first ask themselves and their colleagues:

“How are competitors **changing** and how could their changes **impact** our company’s future opportunity?”

Informed with the answer to that question they proceed to:

1. Identify critical opportunities, clarify priorities, master the data and evaluate potential
2. Create an executable plan that the executive team can carry forward

We define an active strategic leader (ASL) as those who are, to some degree, always considering strategic alternatives. An ASL isn’t just along for the ride — not to suggest any readers of this publication would fall into that more passive leader category. An ASL tends to be a student of the industry in the sense that they actively seek information to confirm or inform their viewpoints and ultimate decisions. They seek two types of information, (1) internal — that is accurate facts about their business and (2) relevant external data — benchmarking or other competitive information in proper context.

YOU MIGHT HAVE A PROBLEM IF YOUR SENIOR TEAM MEMBERS DON’T FIT THE DESCRIPTION OF AN ASL

Among the 3Cs, perhaps influenced by the other factors, we find recently Active Strategic Leaders are most often asking for consulting help to confirm their understanding of how the competitive landscape has changed. Factors often referenced include recent M&A announcements, new entrants in their business segment, material changes in the business or financial model of direct competitors, new and changing technologies (FinTech), and, notably, senior leadership changes among direct competitors (particularly where the skill set of the new CEO is from outside of the industry or segment). These are examples of external data of which an ASL should be aware.

If you are a board member, CEO or shareholder, you might have a problem if:

- One or more of your direct competitors has changed their revenue, pricing, or client-service

model, and the news came as a complete surprise to management

- M&A announcements where new categories of competitors (e.g. Fintech + asset manager merger, PE firm buying a direct competitor) have emerged, and it came as a complete surprise to management
- A new type of leader with an unusual skill set has been appointed as CEO of one of your direct competitors, and it came as a complete surprise to management
- A top-performing member of your senior team left to join a competitor who fit one of the examples above or to join a start-up, and it came as a complete surprise to management

For business executives interested in confirming the level of strategic thinking among their team, a good place to start is to ask one question: “How are competitors changing and how could their changes impact our company’s future opportunity?”

Ultimately, armed with internal facts and relevant external data, the informed ASL has a competitive edge in terms of managing risk and identifying new opportunities. ■



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