

# 7 Steps to Getting Board Approval On Your Distribution Project



## INTRODUCTION

To stay competitive, companies need to make investments in their distribution operations to help them capitalize on new trends, differentiate on service, exploit gaps in the market, and make buying convenient for customers. These investments are often large enough to require board of directors' approval. But evaluating potential investments, and getting the board to approve them, is not an easy task. These seven steps will guide you to getting board-level approval for your distribution project.

### 1 IDENTIFYING THE BURNING PROBLEM

- Why your project?
- Why now?
- How does your proposed project address an urgent situation or key opportunity for the business?

There's never enough money to go around. To win board approval, your request for investment must be driven by a "burning platform" – an urgent situation that requires change or a major opportunity for your business. Typically, that means addressing speed, cost, capacity, new channels or markets, or risk in your distribution network.

### 2 IDENTIFY ALTERNATIVE SOLUTIONS

- What alternatives are there to address the burning platform?
- Is there a high-tech and a low-tech solution?
- Are there options to lease or buy?
- Is there more than one technology that could solve the problem?

Look at the different ways the burning platform could be addressed. Think about all the options - different network strategies, systems, technologies, processes, etc. Identify a list of alternative solutions then broadly weigh the pros and cons of each. Narrow the list to a small number of options that are worthy of deeper analysis.

### 3 IDENTIFY THE DECISION CRITERIA

- What is the process for decision-making?
- Who are the decision makers?
- What overall criteria will drive the decision?
- Will the board consider this the right investment and solution?

Next, identify the decision-making process and criteria that the board will use to approve or deny your project. The project's return on investment (ROI) is often the most important criteria, but your proposal must address other criteria as well. Consider each board member's personal criteria too - perhaps a board member is averse to risk or had a bad experience with a particular technology supplier.

### 4 ANALYZE THE TRADE-OFFS

- What is the quantitative and qualitative impact of each?
- Which solution provides the most value relative to the investment required?
- Which solution ranks highest after applying the weighted decision criteria?
- Which of the alternatives is the best overall investment and likely to win approval from the board?

The next step is to evaluate the quantitative and qualitative impact of each alternative, and to identify the solution that provides the most value relative to the investment required.

Once the value and investment are put in clear monetary terms, you can then calculate the ROI of each alternative based on metrics such as Payback Period, Internal Rate of Return (IRR), Net Present Value (NPV) and anticipated cash flow horizon.

Add this analysis to your decision criteria matrix and identify which alternative has the highest score. Be sure to include a comparison to the "opportunity cost of doing nothing".

## VALUE IS CREATED BY:

#### INCREASING

- Capacity
- Revenue
- Quality
- Service
- Flexibility
- Personal appeal to decision makers

#### DECREASING

- Time
- Cost
- Working Capital
- Taxes
- Risk
- Personal risk to decision makers

### 5 DEVELOP A PLAN TO MANAGE RISK

- What is the risk of doing nothing?
- How will you avoid or minimize each risk?
- What is the risk of each alternative solution?
- Are you (incorrectly) planning for a best-case scenario?

All significant investments come with an element of risk. Be sure to view risk through the lens of the board as high-risk, "bet the business" propositions rarely get approved. Be transparent about the risks and have a clear plan for managing each risk.

### 6 CONDUCT THE MEETINGS BEFORE THE MEETING

- Who are the influencers and decision makers?
- Have you met with board members and key influencers?
- Will they support your recommendations at the board meeting?

It's imperative to avoid surprises during a presentation to the board. You must understand each board member's position and any misalignment between them before the meeting. Meet with each key influencer individually to understand their concerns. When done successfully, the final presentation at the board meeting should feel "ceremonial" as each person restates their commitment to the proposal, but now in a group setting.

### 7 DEVELOP AND PRESENT A BOARD LEVEL BUSINESS CASE

- Is your business case presentation clear, concise, and easy to understand?
- Does it tell a compelling story that leads to an obvious conclusion?
- Have you made it clear what you expect of the decision makers?
- Are you prepared to get started when they say 'yes'?

The final business case presentation to the board needs to be clear, concise, and address the board's key questions. You need to answer the questions – Why this Project? and Why Now? Success is measured by gaining the board's approval for the project and commitment to next steps.

## CONCLUSION

Now that you know the steps to take, you are ready to seek approval for your next project – one that the board of directors can say 'yes' to. Fortna helps companies assess their operations, evaluate the suitability of different technologies and build a business case for investment.

