

IT'S STRATEGY TIME AGAIN

Welcome

Welcome to *Critical Updates* – a series of short briefings focusing upon the world of business strategy.

Returning from the summer vacation means two things – a pile of unopened post and the strategy season – the time when organisations revisit their business plans. Two fundamental issues spring to mind:

1. *What is "strategy" and how do you know if you've got one?* and
2. *The strategy process – a business plan is only as sound as the process that develops it.*

These are the topics that I will introduce in this *Critical Update* – there's also a short diagnostic questionnaire too.

What is "strategy" and how do you know if you've got one?

"Strategy" is an over used word. It should be reserved to describe how your business will achieve its objectives in the marketplace. Strategy is:

- § The unique way that the business will gain competitive advantage in the marketplace.
- § A long-term issue. Not the next three months but the next three years.
- § Not just about cost reduction.
- § Based upon a vision of the future competitive marketplace and how the business will gain advantage in it.

A good strategy has seven essential components:



Visions of the Future. This is the most important component. It is the foundation stone. It is your responsibility to ensure that a leading-edge view of the future marketplace – a scenario - is produced. This is a difficult process that is frequently omitted from many of the business plans that I see. Alternatively, many managers do not use the planning season as an opportunity to fundamentally refresh their thinking about the future environment. Think about new entrants, supplier power, distributor power, customers, technology, demographic shifts, the economy, and political influences. To help cope with uncertainty, identify two or three of the factors that could have the biggest impact on your business and use these to develop alternative scenarios. Then think about how you would react in each scenario. In the final analysis, your strategy will only be better than the competition's if your vision of the future marketplace is better than your competitors' vision. A good future vision sparks creativity.

The Arena. Quite simply a clear definition of the marketplace and its segments that you will choose to operate in. Be as specific as you can about defining products, potential customers, geographic areas and distribution. Defining segments is important – very few businesses just compete in one segment – and each needs its own strategy. A quick tip – if different parts of your business serve different customer needs and you face different competitors – then you have more than one segment to plan for.

Superiority. This is why customers will choose your offering. Think about positioning your offerings against key competitors at least using the following dimensions:

- § Product
- § Product supporting services
- § Relationships with the end customer.

Generating Value. You have got to explain *how* your strategy will generate profits. This is really an explanation of how the financial budgets will come to life. This should fall directly out of the competitive superiority analysis.

Getting There. This is all about the route that will be taken. Are we talking about organic growth, new products, acquisitions, mergers, licensing, franchising?

Milestones. This is the implementation plan. How the business must act and change to implement the strategy and hence achieve the organisation's objectives. Many organisations just don't think enough about how the new strategy may impact the people that must implement it – the employees!

The Story. The central component. It's what makes things happen. To work, a strategy must be *communicated*. The story must be simple, contain a clear vision of the future and clearly say how the business will gain competitive advantage.

You're only confident that you have a strategy when you have formulated each of these seven dimensions.

The strategy process

I will cover this in more detail in the next *Critical Update* but it's worth remembering that there are seven essential steps in the process of building a strategy. *Step one* is a review of the high-level macro forces that shape the broad business environment. The economy and technology are two examples. *Step two* focuses upon the future forces that will shape the competitive characteristics of your chosen markets. *Step three* examines the needs of your target customers. To complement step three, *step four* looks at the offerings of your key competitors. *Step five* defines your future sources of competitive advantage. Next, we have an audit of your business's capability to deliver competitive advantage. What about *step seven*? Well, that's all about inclusion – making sure that all parts of the business have made a contribution and own the output.

A test

If you want to review the completeness of your strategy, why not take answer these questions:

1. Do you have a clear view of the future marketplace? ..
2. Have you defined the characteristics of your future key competitors? Have you defined the future needs of your customers? ..
3. Have you identified how you will generate competitive superiority – the positioning of your offer against those of key competitors? ..
4. Have you divided your business into different segments and developed a strategy for each one? ..
5. Have you defined the competencies you need to generate competitive superiority? ..
6. Have you defined how you will build the resources that your business needs? ..
7. Can you explain how your strategy will generate economic value? ..
8. Can you tell the *strategic story*? ..

This update is based upon the work of Hambrick and Fredrickson (2001) "Are you sure you have a strategy?" [Academy of Management Executive November 48-59](#)

Finally

I hope that you have enjoyed this short read. You can find more on the website or e-mail me using the link below. I enjoy personally helping businesses - some of the work I undertake includes:

- | | |
|--|---|
| § Market research to identify the product performance and service needs of B2B customers | § Competency definition, development and assessment |
| § Facilitating board level strategic reviews, with a particular emphasis upon the definition of tomorrow's competitive environment | § Product portfolio assessment. Helping the business to define the optimal product portfolio – balancing future competitive conditions with the probability of achieving future planned performance |
| § Design and implementation of Balanced Scorecard performance tracking systems | § Communication programmes |
| § Research to help identify what potential capital providers will look for in your business plan | § Organisational audits – assessing the innovative capability of your organisation |

Best regards,

Robert Davies

T: [01895 623252](tel:01895623252)

E: enquiries@drstrategy.co.uk

W: www.drstrategy.co.uk

Copyright: Robert W Davies 2004

Imhotep Consultancy Limited 29 Sharps Lane Ruislip Middlesex HA4 7JG

Registered in England No. 3446332 Registered Office: 29 Sharps Lane Ruislip HA4 7JG