

Circles of Success

Overview

Visual, or graphically based tools can be helpful especially if they can aggregate the output from the series of analytical and discussion based activities that together make up the strategy process. This briefing looks at a new visual concept and presents some enhancements. The output is an easy to use approach that you may find helpful to drive your organisation's strategy workshops. You can also use the questions here to audit the effectiveness of your strategy process and what it has delivered.

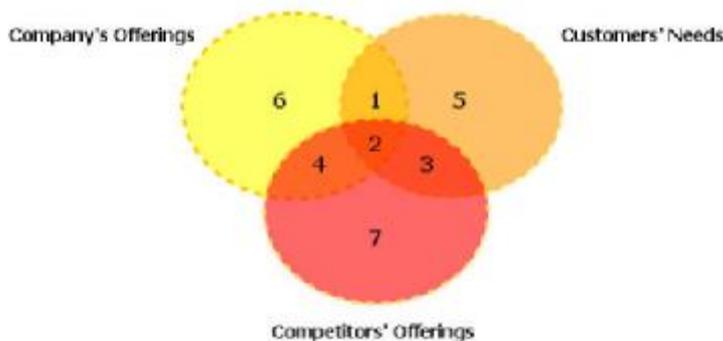
Drawing the Circles

Joel Urbany and James Davis (please see *Information Sources* at the end of this briefing) have developed a concept that they call "Strategic Insight in Three Circles". It all starts with the client or customer. Understanding customer needs and what drives their purchasing decisions is of course a key step in crafting strategy that applies if our "customers" are either other commercial organisations or the end consumer.

We therefore start by drawing one circle and labelling it *Customers' Needs*. Think carefully about what customers value, what their problems are and how your organisation can make their life easier. These are all factors that will determine how large the customers circle is.

Next, we must think about our organisation's products and services – offerings – but the trick is to consider what your customers think about your offerings and the degree to which the offerings are meeting *your customers' needs*. Now, draw another circle labelled *Company's Offerings* and overlay the two circles that you now have – the amount of overlap reflects the degree to which your offerings are meeting the needs of your customers. At this point you can reflect upon how much you think that you *really* know about your customers and what they need and value.

Urbany and Davis then tell us to take a further step and think about your competitors' offerings. Think carefully about how competitors' offerings duplicate the features of your organisation's offerings and the degree to which the competitors' offerings meet customer needs that your offerings do not. You can now draw the third overlapping circle – *Competitors' Offerings* – and you should have a picture that looks rather this:



Sidebar: Everything in 60secs

Graphical tools are great to work through strategy making and communicate the results.

This briefing looks at a new approach that visually presents:

- *Customer needs*
- *Key points of difference between your offerings and those of the competition*
- *Unexplored 'white space' – customers' requirements that nobody is meeting*
- *Relationships with suppliers and their degree of uniqueness*
- *Future trends and the impact on your offerings and customer needs.*

It is a simple tool that allows you to test the effectiveness of your business planning process.



You can see that there are seven numbered segments:

- § *Segment 1* refers to points of difference – customers' needs that your offering meets but that competitors' offerings do not. These are critical points of difference and therefore are the centrepiece of your strategy. The questions must be (a) *is this area large enough?* (b) *are we appealing to needs that are of central importance to our customers?*
- § *Segment 2* shows us the common features of both your offerings and those of your competitors that meet customers' requirements – known as *points of parity*.
- § *Segment 3* identifies customers' needs that your competitors meet but you do not. Is this a conscious move on your part? Are your competitors meeting central needs that you are not?
- § *Segment 4* again shows features of competitors' offerings that are the same as your offerings – but are these really necessary – are they superfluous to customers' needs?
- § *Segment 5* is the important *white space* in other words customers' needs that are unexplored – unmet by you or your competitors – and is an area ripe for exploration.
- § *Segments 6 and 7* show the apparently superfluous parts of both your offerings and those of competitors.

So, this is a relatively simple tool for communicating your organisation's strategy and testing:

- (a) How much you know about your customers
- (b) How much you know about your competitors and
- (c) How effective your strategy (and planning process) really is.

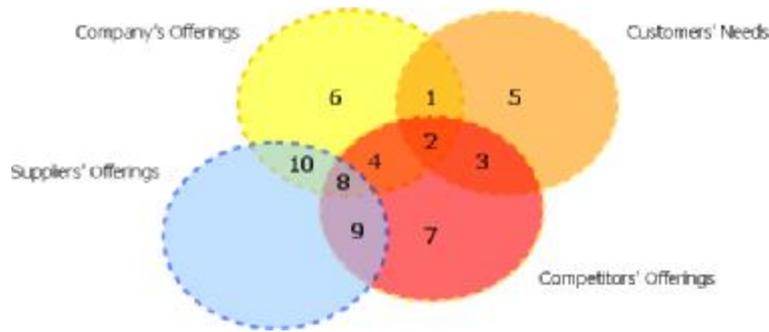
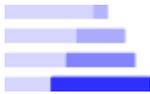
At this point reflect on your strategy process and ask these questions:

- § *When was the last time that we really explored our customers' needs?*
- § *Do we have any points of difference?*
- § *Do our points of difference really appeal to the core needs of our clients?*
- § *What can we do about our competitors' points of difference?*
- § *Have we planned to explore the "white space"?*

But the next question is does this model go far enough – can it be improved?

Well, whilst this gives a good simple overview, there are two additional steps that I would suggest. A point made in previous briefings is that competitive advantage is about positioning your offerings and relationships with both customers *and* your suppliers. Obviously, you want to ensure that your relationship with suppliers is substantially different to those of your competitors. So this needs another circle as shown in blue below.

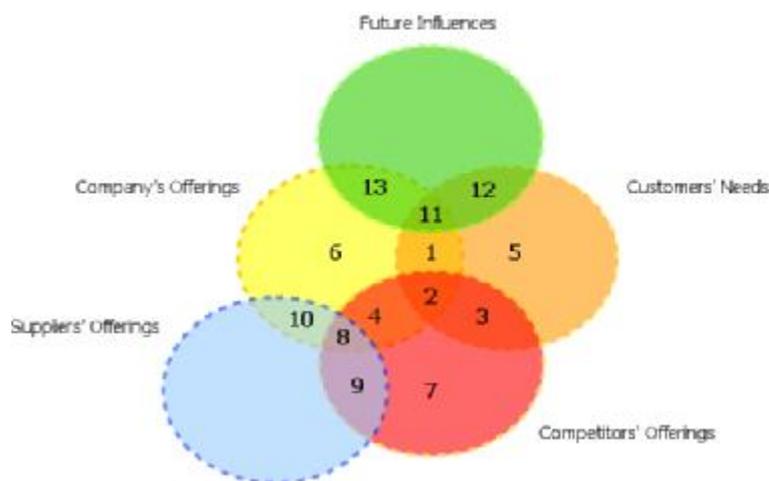
Critically, segments 9 and 10 tell you where there are substantial differences in your own and competitors' relationships with suppliers.



This leads us to consider whether or not we have considered points of difference not just in our offerings but in our relationships with our suppliers - *is segment 10 large enough?*

And if I haven't made life complicated enough for you yet, why not try drawing one last circle?

Things aren't static – the future is uncertain. Your planning process should have considered alternative scenarios that you may face. So the final circle, shown in green in our last illustration, shows these possible future trends and their potential impact on your customers' needs and your offerings – segments 11 and 12 - pointing towards new offering development possibilities.



So, the final question is *has your planning process considered how customer needs might change and what the new opportunities are?*

Conclusion

This is a relatively simple tool to use in the strategy process that reflects:

- § Knowledge of customers, competitors and suppliers.
- § The effectiveness of the positioning of your offerings with customers and your relationships with suppliers.
- § Future trends.
- § Areas of *white space* for exploration.

What do your *circles of success* look like?

Information Source: Urbany, J E and Davis, J H (2007) Strategic Insight in Three Circles *Harvard Business Review* Nov 28 - 30



Finally

January 2008

I hope that you have enjoyed this Executive Briefing.

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:

- § Forward looking business scenarios – what are your future challenges?
- § Facilitating board level strategic reviews, with a particular emphasis upon the definition of tomorrow's competitive environment
- § Design and implementation of Balanced Scorecard performance measurement systems
- § Research to help identify what potential capital providers will look for in your business plan
- § Training: Strategic Thinking, Performance Measurement and Strategic Change Workshops.
- § Product portfolio assessment. Helping the business to define the optimal product portfolio – balancing future competitive conditions with the probability of achieving future planned performance
- § Communication programmes
- § Organisational audits – assessing the innovative capability of your organisation

Best regards,

Robert Davies