**Handout: Developing a Business Strategy**

A business strategy ensures you have a clear [plan for reaching your organisational goals](https://online.hbs.edu/blog/post/why-is-strategic-planning-important) and that you continue to survive, to grow and to thrive.

It is a look into the future to determine your purpose, a vision, goals and a mission about how you are going to get there – wherever there is!

**1. Define Your Purpose**

When approaching business strategy, defining your organisation’s purpose can be a useful starting point.

This is vital in creating customer and employee value, especially if your organisation’s purpose is linked to a cause such as [environmental protection](https://online.hbs.edu/blog/post/business-case-for-sustainability) or alleviating specific social issues.

A [recent survey](https://www.fastcompany.com/90306556/most-millennials-would-take-a-pay-cut-to-work-at-a-sustainable-company) conducted by clean energy company Swytch found that nearly 75 percent of millennials would take a decrease in salary if it meant working for an environmentally responsible company. Nearly 40 percent selected one job over another because of an organisation’s sustainability practices.

Additionally, [research in the Harvard Business Review](https://hbr.org/2019/06/research-actually-consumers-do-buy-sustainable-products?registration=success) shows that consumers’ motivation to buy from sustainable brands is on the rise. Sales of products marked as sustainable grew more than five times faster than those that weren’t.

By starting with purpose, your organisation can create more value down the line.

**2. Assess Market Opportunity**

Next, understand your market’s competitive landscape. Which companies own shares of the market? What differentiates your competitors’ products from yours? Are there any unmet needs your organisation could take advantage of?

Conducting this research before planning a strategy is critical in identifying how your organisation provides unique customer value and opportunities to create even more.

**3. Create Value for Customers**

With an understanding of the market and your company’s purpose, you can determine how your organisation provides unique or greater value and you can then strategize ways to continuously improve.

On the value stick, the value captured by customers is called “customer delight.” It can be increased by raising their willingness to pay and decreasing the product’s price. If lowering the price isn’t an option, brainstorm how you could make the product more valuable to customers, thus increasing their willingness to pay.

Some ways to create customer value include:

* Lowering the product’s price
* Increasing the product’s physical quality and longevity
* Providing quick, high-quality customer service and a smooth shopping experience
* Leveraging [network effects](https://online.hbs.edu/blog/post/what-are-network-effects), if applicable, to create a community of users
* Incorporating an environmental or social cause into processes, packaging, and branding

**4. Create Value for Suppliers**

In addition to creating value for customers, you also need to provide value for suppliers. Suppliers can include any company that provides raw materials, labour, and transportation to help your organisation produce goods or deliver services.

Supplier surplus, also called supplier delight, is created when the cost of materials increases or their willingness to sell decreases. The relationship between a firm and its suppliers can be contentious, given that both want to increase their margins. Yet, there are ways to create value for both parties.

Some ways to create value for suppliers include:

* Agreeing to pay more for higher quality materials: While this increases the supplier surplus, it may also increase customer delight by raising willingness to pay, or increase the firm’s margin by allowing you to raise prices.
* Working with the supplier to increase efficiency: This strategy can increase supplier surplus by lowering the overall cost of the supplier’s labour and their willingness to sell.

**5. Create Value for Employees**

Creating value for employees is a critical part of an effective business strategy and can be assessed using the value stick. Think of your employees as the “supplier” of labour and the supplier margin as employee satisfaction.

Employee satisfaction can be increased by raising wages or lowering the minimum salary they’re willing to receive by delivering value in other ways. Satisfied employees may provide a better customer experience, resulting in increased customer delight.

The value you provide employees ensures they’re motivated to do their best work, develop their skills, and stay with your company in the long-term.

Some examples of ways to create value for your employees include:

* Offering competitive salaries and bonuses
* Offering benefits like ample paid vacation and sick days, generous parental leave, and wellness budgets
* Providing flexibility of work location, whether your team is fully remote or hybrid
* Aiding in professional development
* Creating a workplace rich with a diversity of experiences, identities, and ideas
* Fostering a supportive organizational culture

One example from Business Strategy is that of a call centre for a diagnostics company. The employees were being paid minimum wage and expressed that the analytical nature of their phone calls with customers warranted higher pay. They also expressed pain points about cumbersome tasks and work conditions.

When a pay increase was implemented for all employees, along with operational changes to make processes smoother, employee productivity increased to the point that it balanced out the higher cost of salaries.

Because the employees’ satisfaction increased, they also began providing better experiences on the phone with customers. This increased the customers’ willingness to pay, directly impacting customer delight.

**6. Map Strategy to Actionable Tasks and KPIs**

Amidst creating value for each of the three groups, don’t forget the fourth party that needs value: your company. By creating value for employees, suppliers, and customers, you’re creating value for your firm, too.

To ensure you’re tracking to goals, determine your key performance indicators, what metrics constitute success, and how you’ll report results over time. Then, break each of the above value-creation goals into action items. For instance, what steps can you take to increase your employees’ compensation? Who will be responsible for each task?

Having actionable assignments and [clear metrics for success](https://online.hbs.edu/blog/post/financial-performance-measures) will allow for a smooth transition from strategy formulation to execution.

**Exercise:** Complete each of the following sections as ‘start notes’ to take away and build upon, as you move closer to developing your own overall business strategy.

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| Define your purpose: |
| Assess market opportunity |
| Create value for customers |
| Create value for suppliers |
| Create value for employees |
| Map strategy to actionable tasks and KPI’s |