

CREATING A STRATEGY

Part 1

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YOUR SPEAKER

Background

- CTO
- Senior Member of ACM
- 32 Years In Technology -- 20 years in IT
- BSc in Electronics and MSc in Digital Systems
- HP's Top Gun award in 2009
- Awarded 2 US Patents Assigned To HP
- Author of book entitled Cloud Computing
- <https://www.linkedin.com/in/nayan>



Nayan Ruparelia

TALK DETAILS

- PART 1: What Is Strategy?
 - Definition
 - McKinsey's 7S Framework
 - Michaud and Thoenig's Strategic Orientation
 - Types of Strategy
- PART 2: Tactics
 - Innovation
 - Blue Ocean Strategy
 - Game Theory and Strategy
- PART 3: Strategy Toolkit
 - Scenario Planning
 - SWOT Analysis
 - MoSCoW Analysis
 - Porter's Value Chain
 - Product Portfolio Matrix
 - Metrics for Strategy: Force Field Analysis and The Balanced Scorecard
- PART 4: Case Study - Healthcare
 - Bottom-up strategy
 - Blue-ocean strategy

WHO WILL BENEFIT?

- Entrepreneurs
- Intrapreneurs
- Chief Technologists/CTOs/CIOs
- Enterprise Architects
- Business Analysts
- Any One Who Needs To Create A Strategy
- Any One With An Interest In Strategy

SCOPE OF THIS TALK

Primarily Business Strategy

Technology Strategy – Only When Tied To Innovation

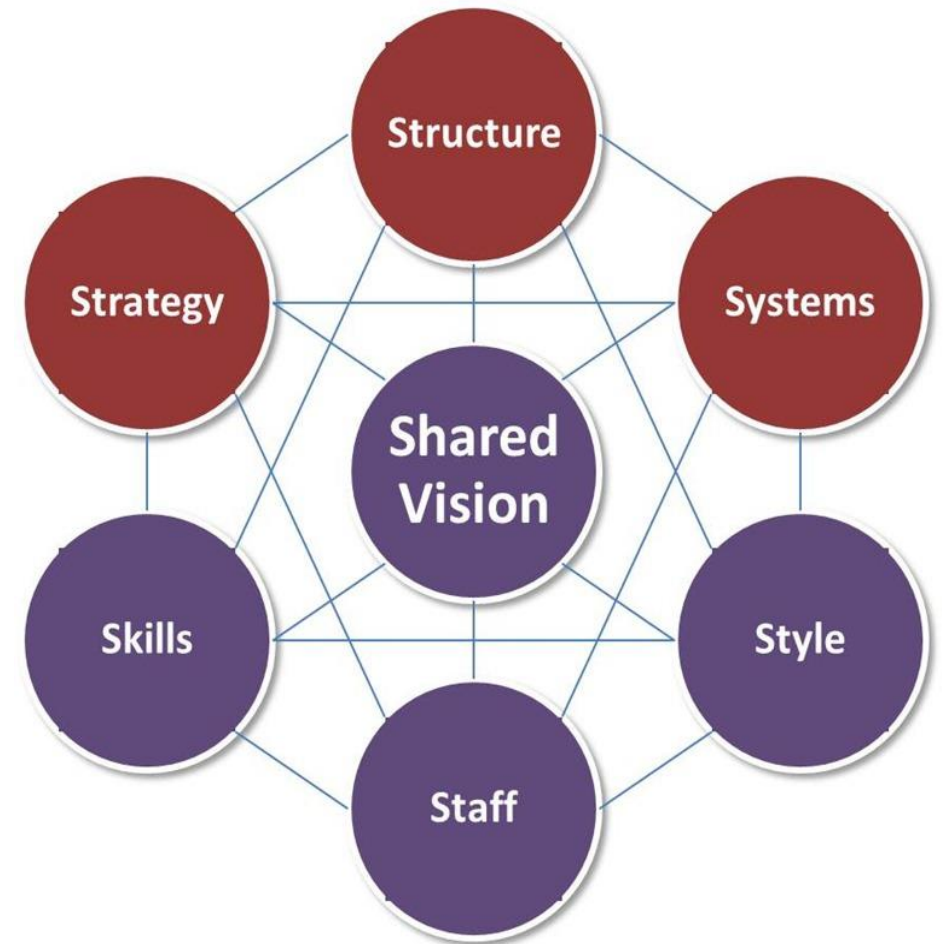
Main Focus: Strategy Relevant To A Technology Business



HOW STRATEGY FITS WITHIN THE BUSINESS

MCKINSEY'S 7S FRAMEWORK

- Strategy is not an island
- It needs other elements for it to succeed
- All the elements in the organization are inter-related
- Some elements have a greater affect than others depending on the shared values
- Shared vision: depends on culture



MCKINSEY'S 7S FRAMEWORK

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- All the elements in the organization are inter-related
- Some elements have a greater affect than others depending on the shared values
- **Shared vision: depends on culture**



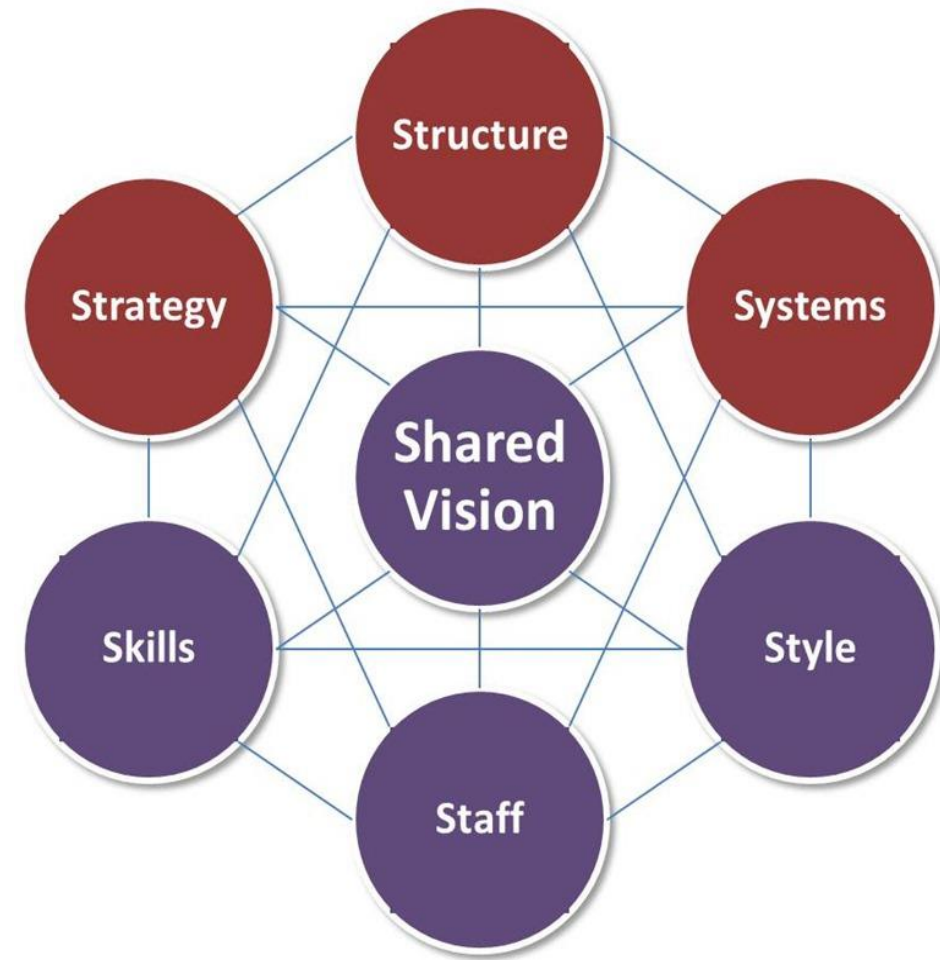
MCKINSEY'S 7S FRAMEWORK

Hard elements

- Easier to define or identify
- Management has influence over them
- Examples:
 - Vision
 - Organization charts
 - Formal processes
 - IT systems

Soft Elements

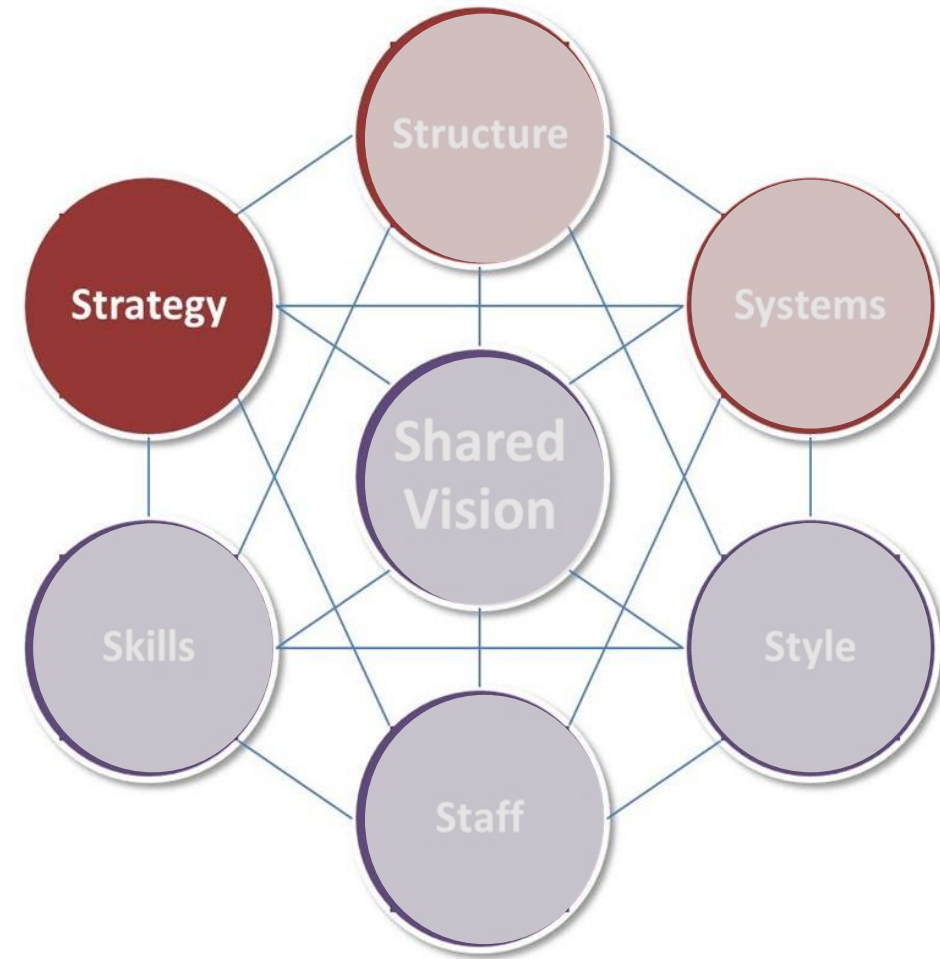
- More difficult to describe
- Less tangible and influenced by culture
- Examples:
 - Style of leadership
 - Motivation of staff
 - Employee skill-sets



MCKINSEY'S 7S FRAMEWORK

Strategy

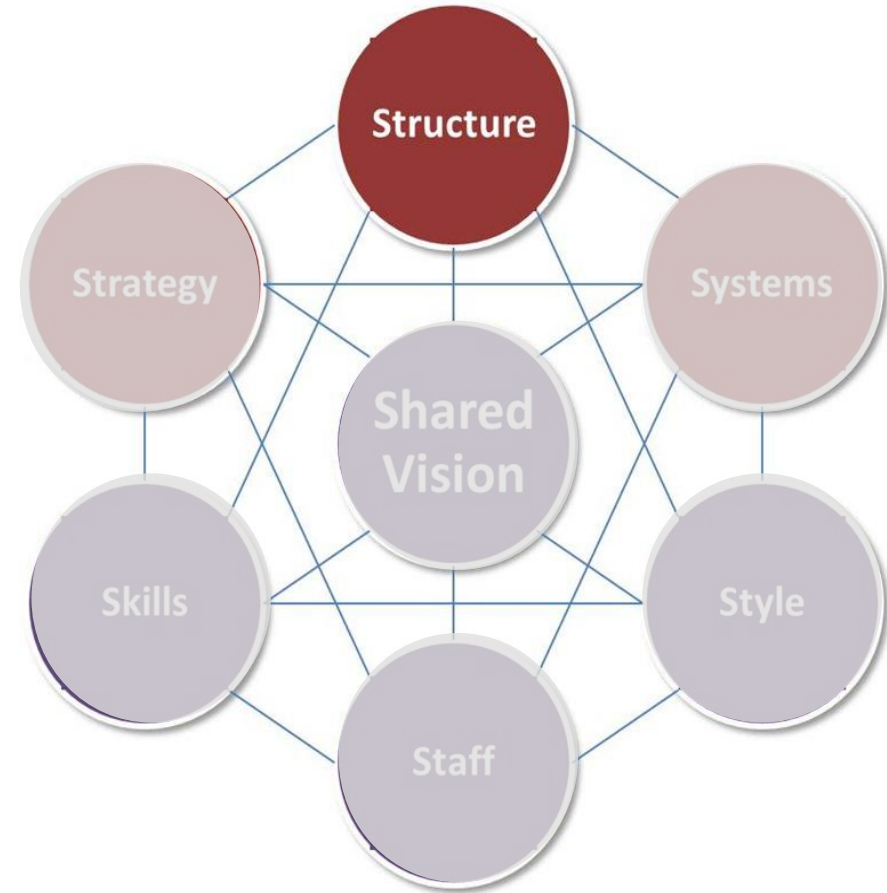
- What is your strategy?
- How flexible is your strategy?
- How does it respond to pressure?
- What type of strategy do you have?



MCKINSEY'S 7S FRAMEWORK

Structure

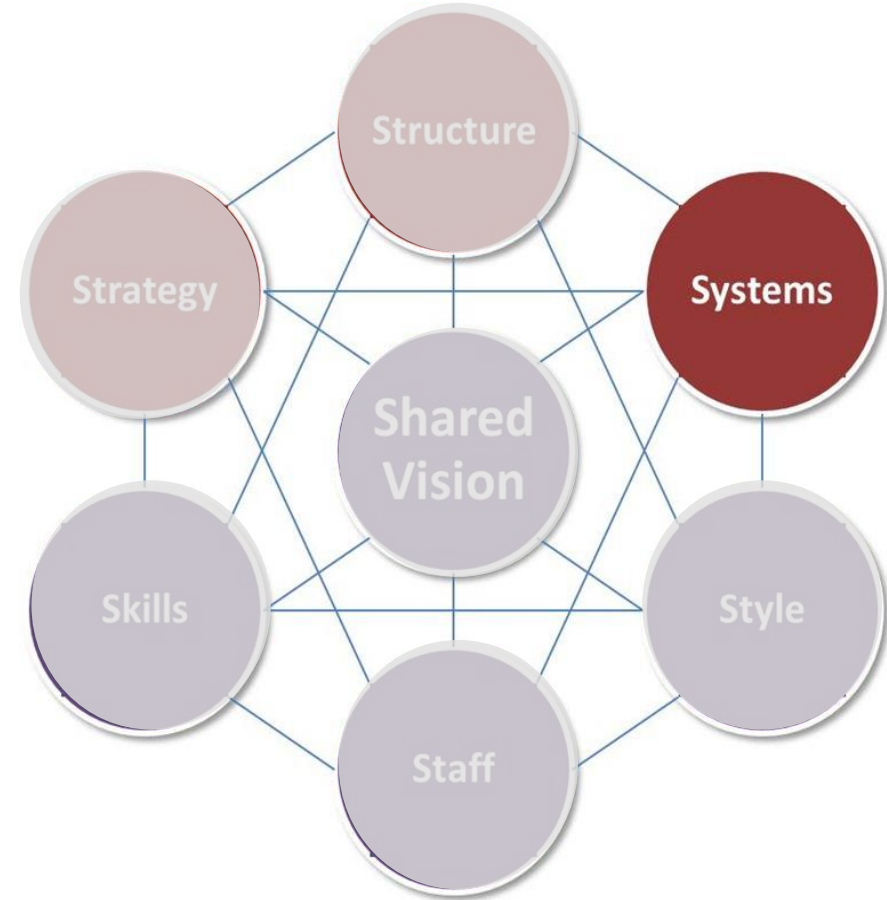
- What business lines or units are there?
- What is the hierarchy to control the units?
- How are activities of departments coordinated?
- How are team members organized
- Should decision-making be centralized?
- What are the lines of communication?
- Are communication channels explicit or implicit?



MCKINSEY'S 7S FRAMEWORK

Systems

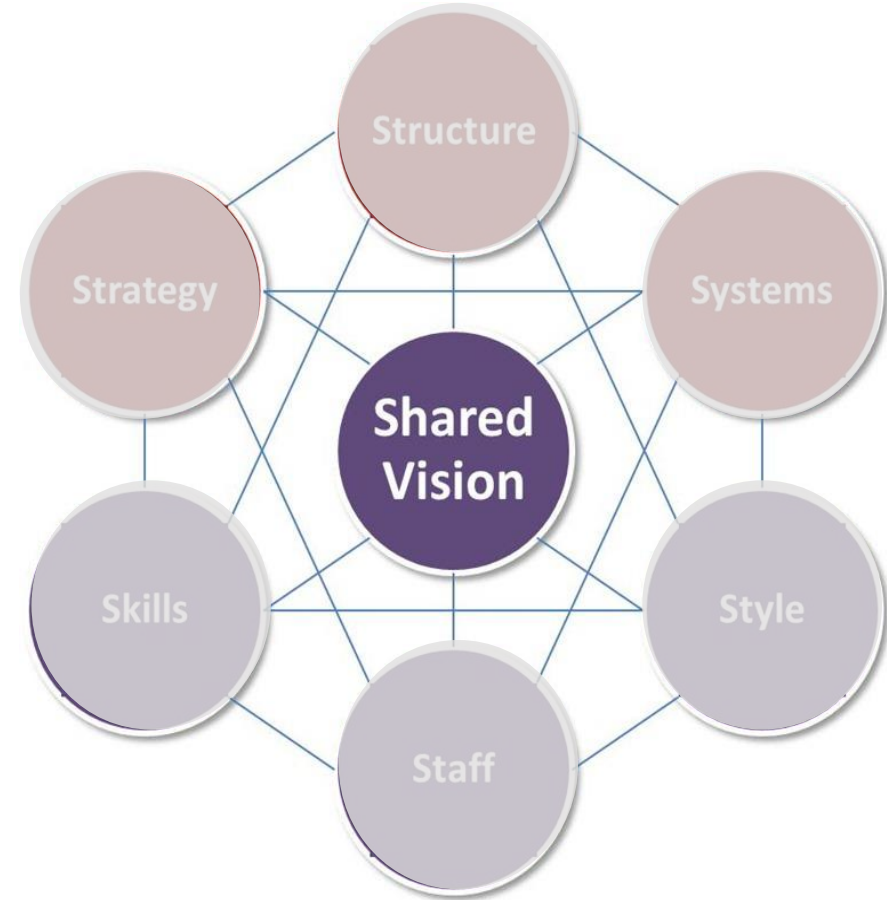
- Examples of systems: Financial, HR, Communications, Security, Compliance
- What main systems run the organization?
- What controls are in place?
- How are the controls monitored and evaluated?
- What rules and processes are used?



MCKINSEY'S 7S FRAMEWORK

Shared Vision or Values

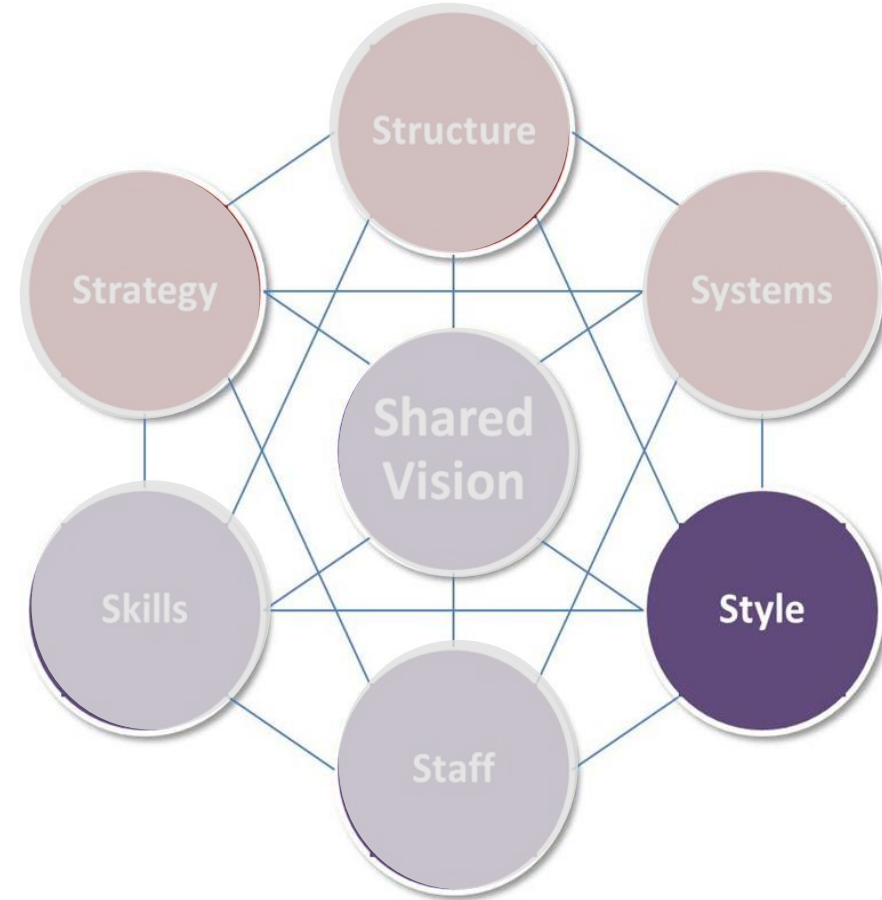
- What are the core values?
- What is the corporate and team culture?
- How strong are the values?
- What are the fundamental values that the company was built on?
- Are the values relevant?
- Do the values help deliver your strategy?



MCKINSEY'S 7S FRAMEWORK

Style

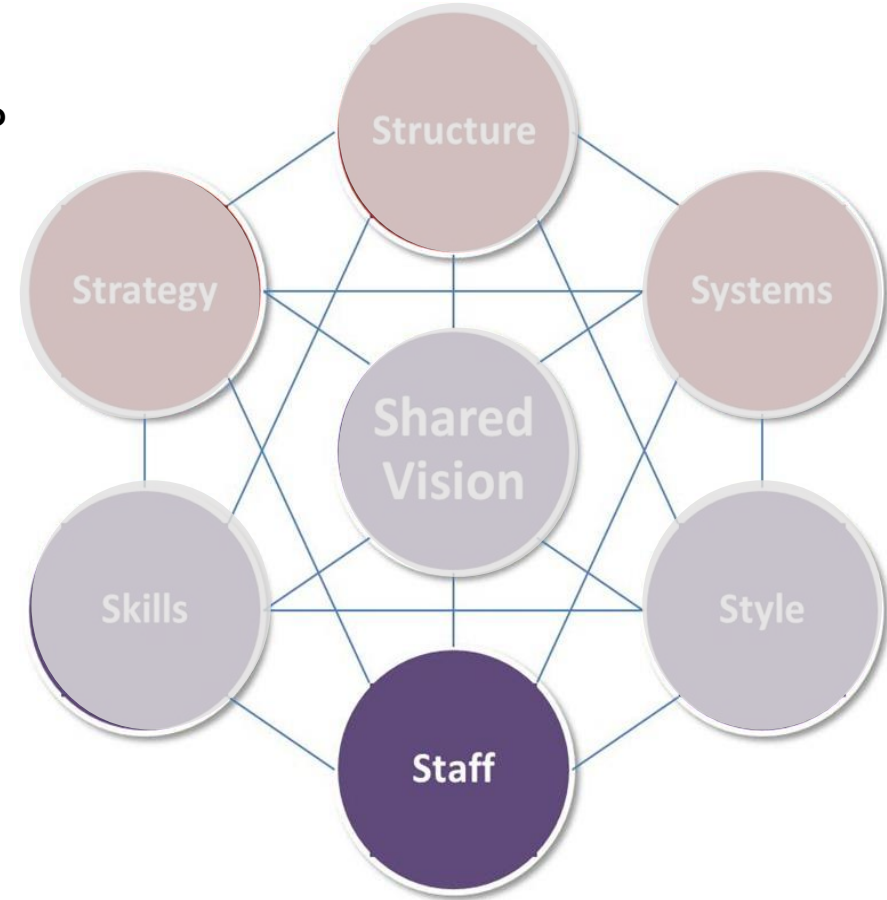
- How participative is the management style?
- How effective is that leadership?
- Do employees tend to be competitive or cooperative?
- Are there real teams functioning within the organization or are they just nominal groups?
- Is there a disconnect between the corporate and individual team styles?



MCKINSEY'S 7S FRAMEWORK

Staff

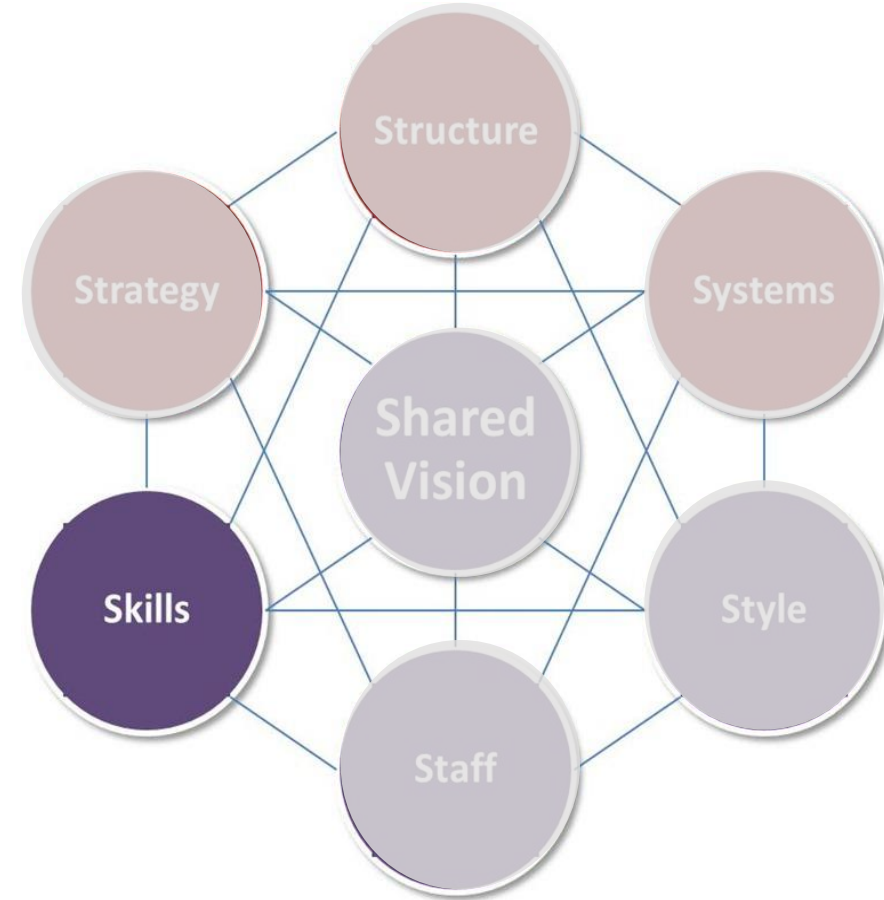
- What specializations are represented within the team?
- What positions need to be filled?
- Are there gaps in required competencies?
- Are the staff skills being developed continuously?
- Are the skill-sets capable of delivering the strategy?



MCKINSEY'S 7S FRAMEWORK

Skills

- What skillsets are represented within the company?
- Are there any gaps in skills?
- What is the company known for doing well?
- Do the team members have the ability to do the job?
- How are skills monitored and assessed?
- How are the skills developed to suit changes in strategy?



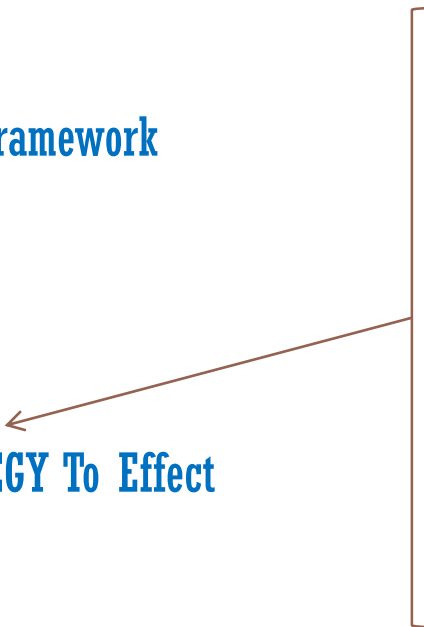
MCKINSEY'S 7S FRAMEWORK

How To Use The Framework

“For an organization to perform well, the seven elements need to be aligned and mutually reinforcing.”

Steps:

1. Identify Current State Using Framework
2. Identify Future Desired State
3. Perform Gap Analysis
4. Create An Overarching STRATEGY To Effect Change!!!

- 
- a. Start with Shared Values: Are they consistent with your structure, strategy, and systems? If not, what needs to change?
 - b. Next look at hard elements. How well do they support one another? Identify where changes need to be made.
 - c. Then look at soft elements. Do they support the desired hard elements? Do they support one another? Identify what needs to change?

CAVEAT!

CULTURE TRUMPS STRATEGY

- If people are not happy or valued in a culture, they will not care about strategy -- other than the **strategy to escape** the culture.
- If people are happy and valued in a culture, they will live and breathe strategy -- and they will achieve **anything**.
- Culture is defined and created by **leaders**, not managers.



WHAT IS STRATEGY?

WHAT IS STRATEGY?

What Some Say...

Strategy means making clear-cut choices about how to compete. -- Jack Welch, Former CEO, General Electric

A strategy is a commitment to undertake one set of actions rather than another. --- Sharon Oster, Professor, Yale University

A company's strategy is management's action plan for running the business and conducting operations. – Text-book on Strategy

The process of developing superior strategies is part planning, part trial and error, until you hit upon something that works. -- Costas Markides, Professor, London Business School



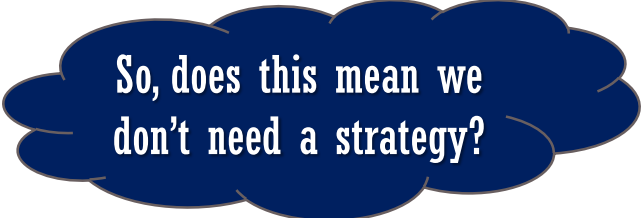
This is Red-Ocean Strategy



Are we confusing Strategy with TACTICS?



Strategy is everyone's business!

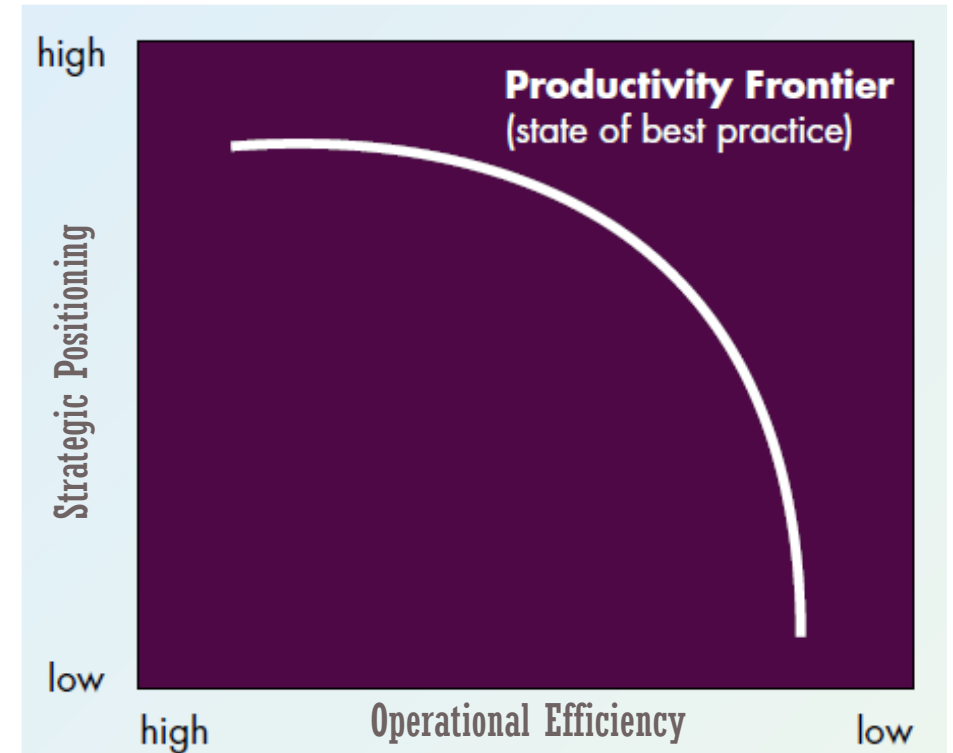


So, does this mean we don't need a strategy?

A STRATEGY IS NOT...

...Operational Effectiveness

- **Examples of Operational Effectiveness:**
Total Quality Management, Six Sigma, Just-in-Time, etc.
- **Operational effectiveness means:**
Performing similar activities better or more efficiently than rivals
- **Strategic positioning means:**
Performing different activities OR performing similar activities in different ways
- **BUT strategy and operational effectiveness are interconnected:**
Highest productivity realized when both are optimum



A STRATEGY IS NOT...

...A Tactic

Sun Tzu (Art of War):

All men can see these tactics whereby I conquer, but what none can see is the strategy out of which victory is evolved.

A Strategy is an orchestrated set of unique tactics that follow a plan.

A STRATEGY IS NOT...

...A Tool

Examples:

An App For A Smart-phone: “Wanting to sell using an app does not constitute a strategy.”

A PowerPoint Presentation: “After months and months, self-proclaimed ‘strategists’ deliver a big, fat PowerPoint with lots of charts and graphs. And then present very large bills.”

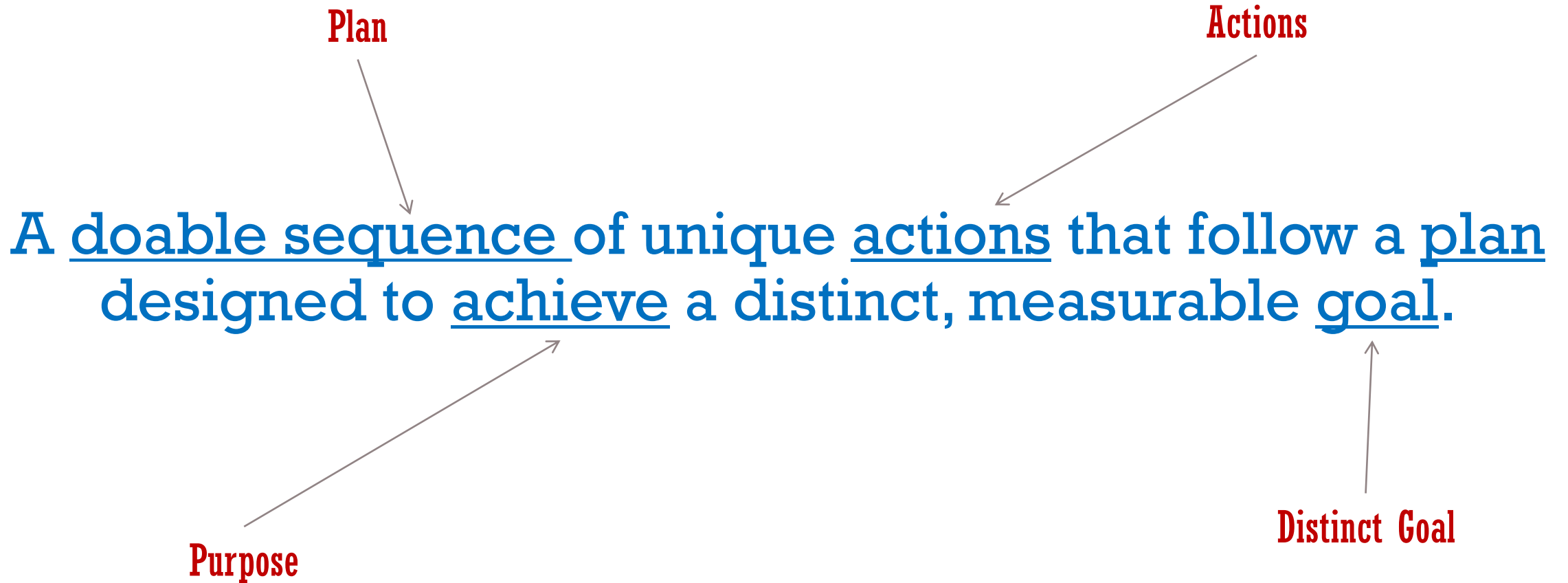
A Web-site Or Its Design: “Creating an appealing web-site with links to BUY NOW is not a strategy.”

Strategy can employ tools to achieve its goals.

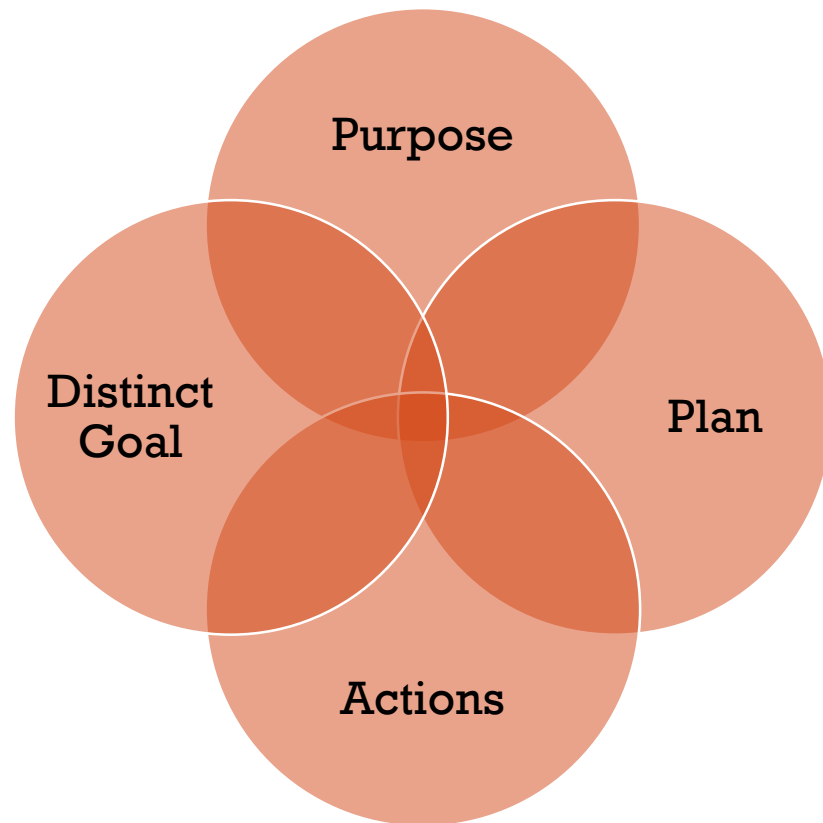
STRATEGY DEFINED...

A doable sequence of unique actions that follow a plan designed to achieve a distinct, measurable goal.

STRATEGY DEFINED



FOUR COMPONENTS OF A STRATEGY



A plan of actions
with the purpose to
achieve a distinct
goal

A STRATEGY HAS A PURPOSE

Purpose

noun: the reason for which something is done or created or for which something exists.

- Why Do You Want To Achieve Your Strategic Goal?
- What Do You Want Your Strategy To Achieve? Define The Vision.
- What Is The Motivation For The Strategy?
- Use The Purpose To Guide Your Narrative.

STATEMENT OF PURPOSE

“Every Move MUST Have A Purpose.”

— Pandolfini, Author of Chess Books.



A STRATEGY HAS A PLAN

Plan

noun: A detailed proposal for doing or achieving something.

- How Will You Realize The Strategic Goal?
- How Do The Actions Fit Together?
- Are The Actions Aligned With The Purpose?
- The Plan Orchestrates The Actions And Ensures They Work To Achieve The Same Strategic Goals

A STRATEGY HAS TACTICS (INTERCONNECTED ACTIVITIES)

The essence of strategy is choosing to perform activities differently than rivals (or others).

- Every strategy needs **at least one**, essential tactic to achieve a measurable goal.
- Tactic: an action or method that is planned and used to achieve a particular goal.

A STRATEGY HAS A DEFINITE GOAL

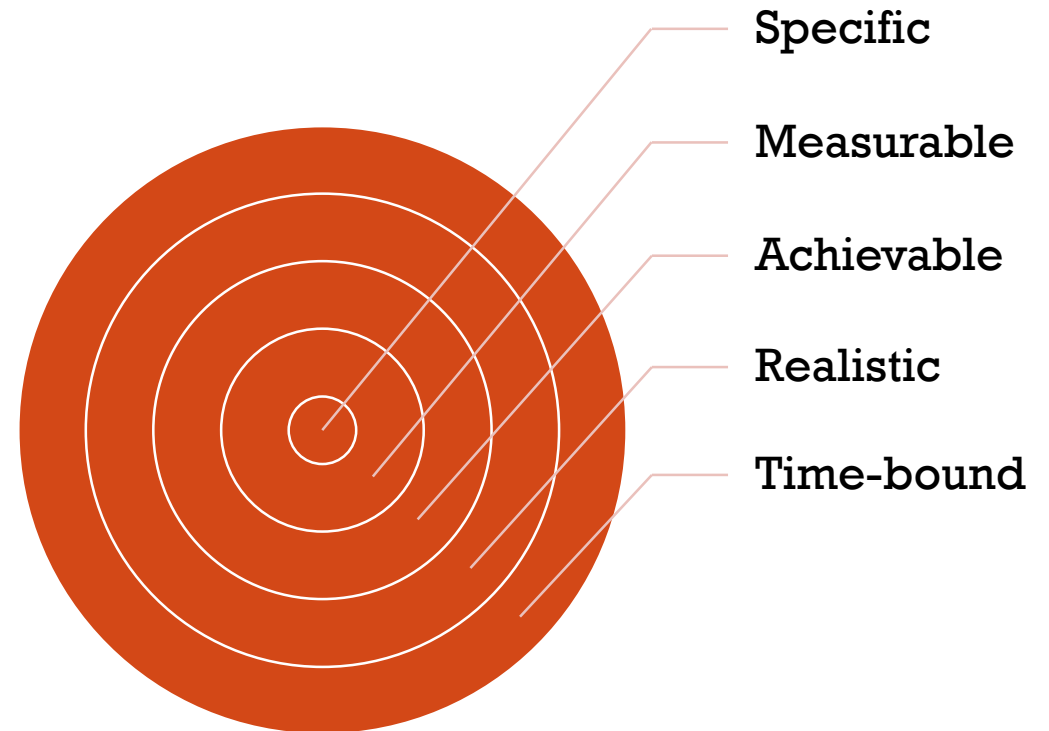
Characteristics:

A strategy is not a strategy without the power to execute it.

The strategic goal should be achievable using resources that are available NOW.

A strategy for the future is not a strategy.

Smart Goals:



AN EXAMPLE OF A STRATEGIC GOAL

BIG Hairy Audacious Gorilla

BHAG: Idea Is To Think BIG!

Long-term goal that changes the very nature of a business.

BHAGs are bigger, bolder and more powerful than other goals.

They are exciting, tangible and galvanize everyone.

A goal that everyone just “gets” without any further explanation.

A really good BHAG probably has a length of about a decade BUT...

...it increases the sense of urgency!



A STRATEGY HAS A NARRATIVE...

The Narrative Is A Tactic – A Mega-tactic

It Is A Story That Packages And Sells Your Strategy

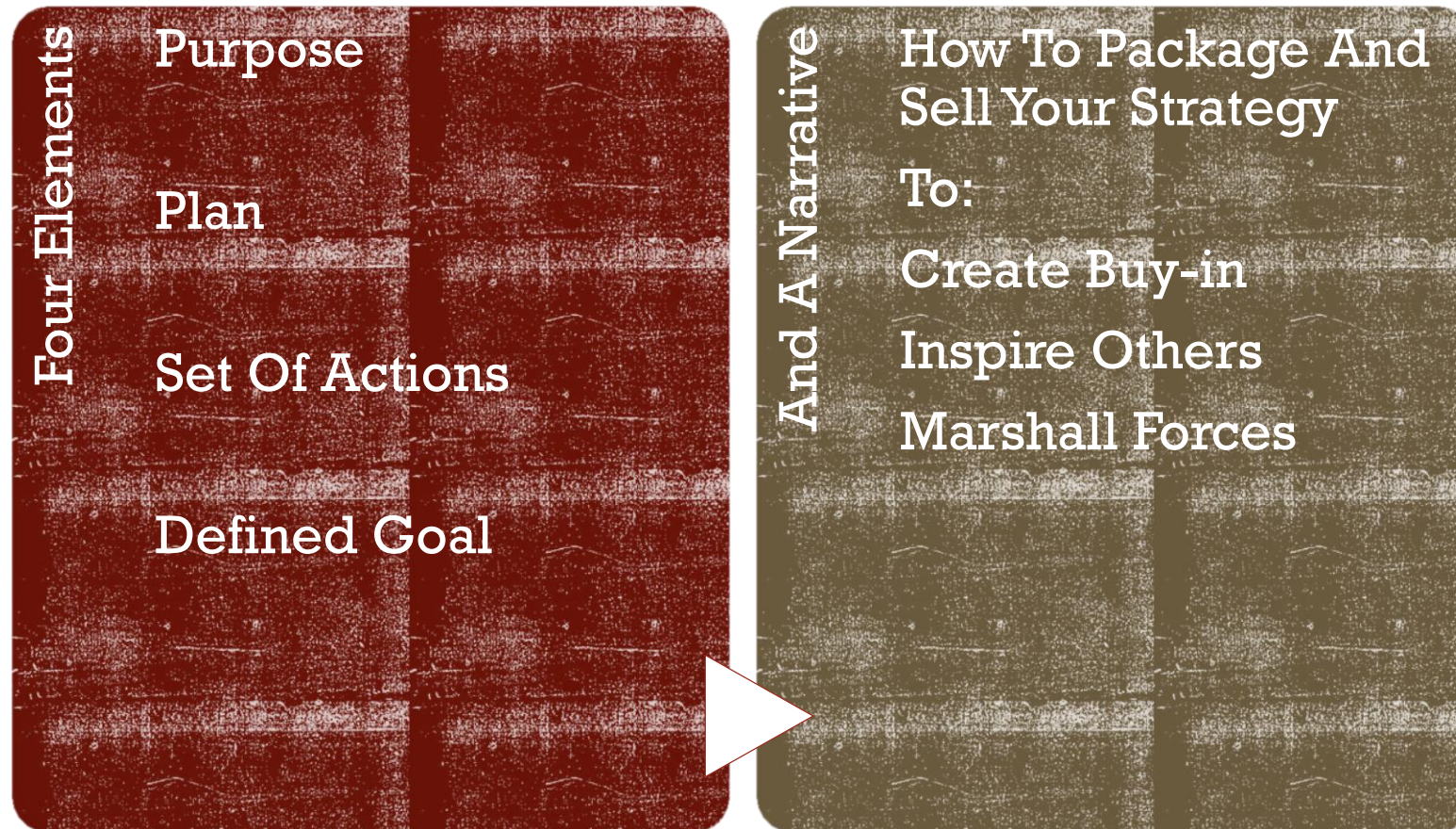
A STRATEGY HAS A NARRATIVE

The Narrative Is A Tactic – A Mega-tactic

It Is A Story That Packages And Sells Your Strategy

Without a narrative, you can only sell strategy to strategists
– that is like selling snow to Eskimos.

A STRATEGY IS A STRATEGY IF IT HAS...



LET US LOOK AT AN EXAMPLE...

...Of Strategy From the Airline Industry



STRATEGY EXAMPLE

Airbus And Boeing: Airbus A380 Strategy

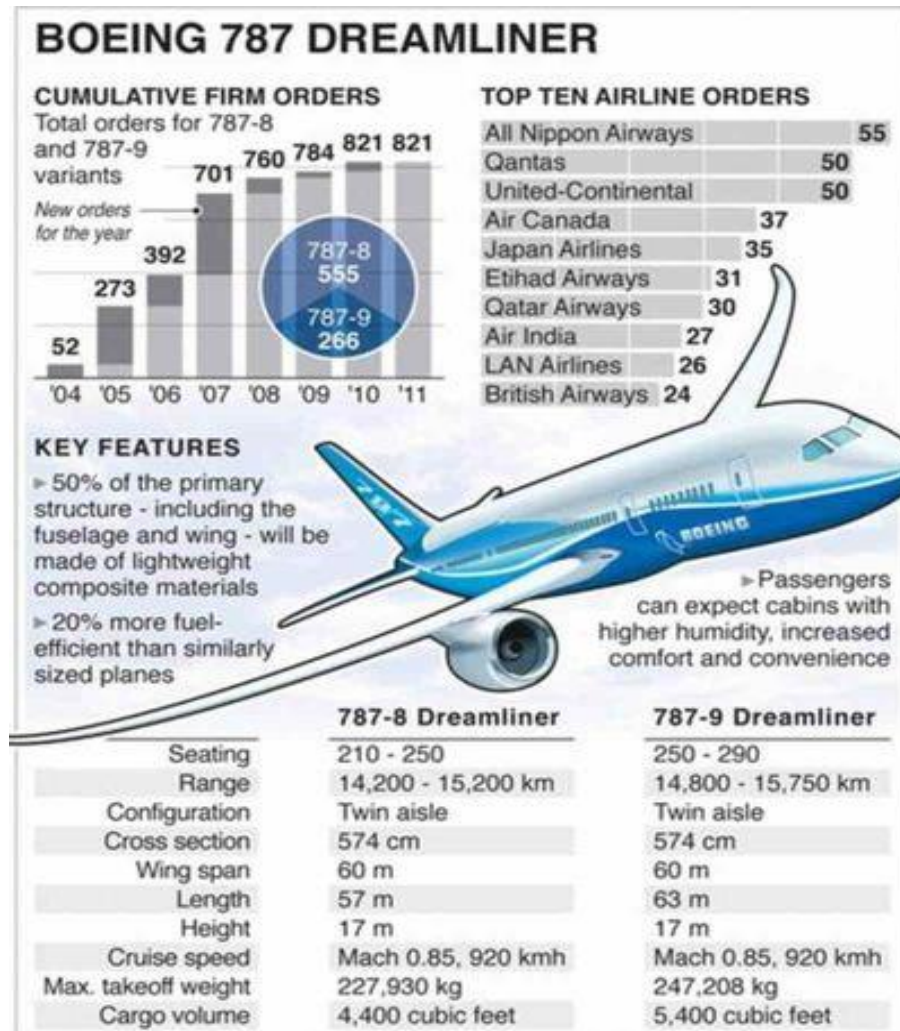
Airbus

- Hub-and Spoke flights
- Efficient Market Strategy: Bigger planes that have a lot of facilities
- Result: A380 Super Jumbo carrying 850 passengers
- Upshot: Need to ensure all (or nearly all) seats are full to be efficient
- Strategy: More passengers → More efficiency → More Profits



STRATEGY EXAMPLE

Airbus And Boeing: Boeing 787 Strategy



Creating A Strategy: Part 1

Boeing

- Point-to-point (direct) flights
- Efficient Technology Strategy: Smaller planes that fly far and are fuel efficient
- Result: B787 Dreamliner carrying 250 passengers
- Upshot: People want to travel with the least inconvenience; thus, no/few connecting flights
- Strategy: Travel efficiency → Happy passengers → More Profits

STRATEGY EXAMPLE

Airbus And Boeing: Strategy Comparison

AIRBUS

Hub-and Spoke flights

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STRATEGY EXAMPLE

Boeing and Airbus

Company	Purpose	Plan	Activities	Goal	Narrative
Boeing	Make air travel efficient for passengers.	Economy through innovation instead of scale.	Invent a lighter, faster, high-tech plane that can fly farther.	Allow airlines to offer more direct flights.	Better, not bigger, airplane.
Airbus	Make air travel efficient for airlines.	Economy through scale instead of innovation.	Create a bigger plane with more facilities.	Allow airlines to pack more passengers per flight.	Bigger, not high-tech, airplane.

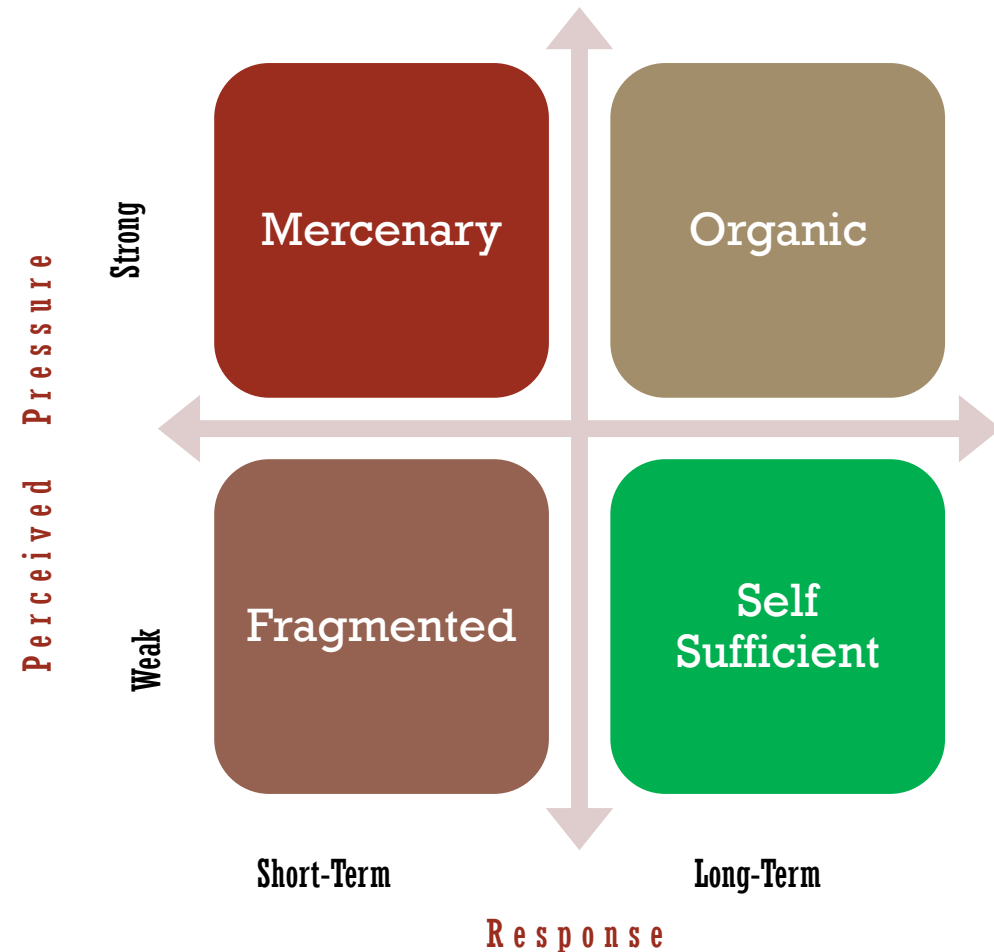
MICHAUD AND THOENIG'S STRATEGY ORIENTATION

Different Strokes For Different Folks!

Three Perceptions:

1. Constraints Placed On You: Limits Your Actions
2. Culture: How Much Choice You Have For Your Actions
3. Other Forces: External Or Internal Pressures That Affect Your Choices

Strategy Orientation:



MERCENARY STYLE

Michaud and Thoenig's Strategy Orientation

Approach:

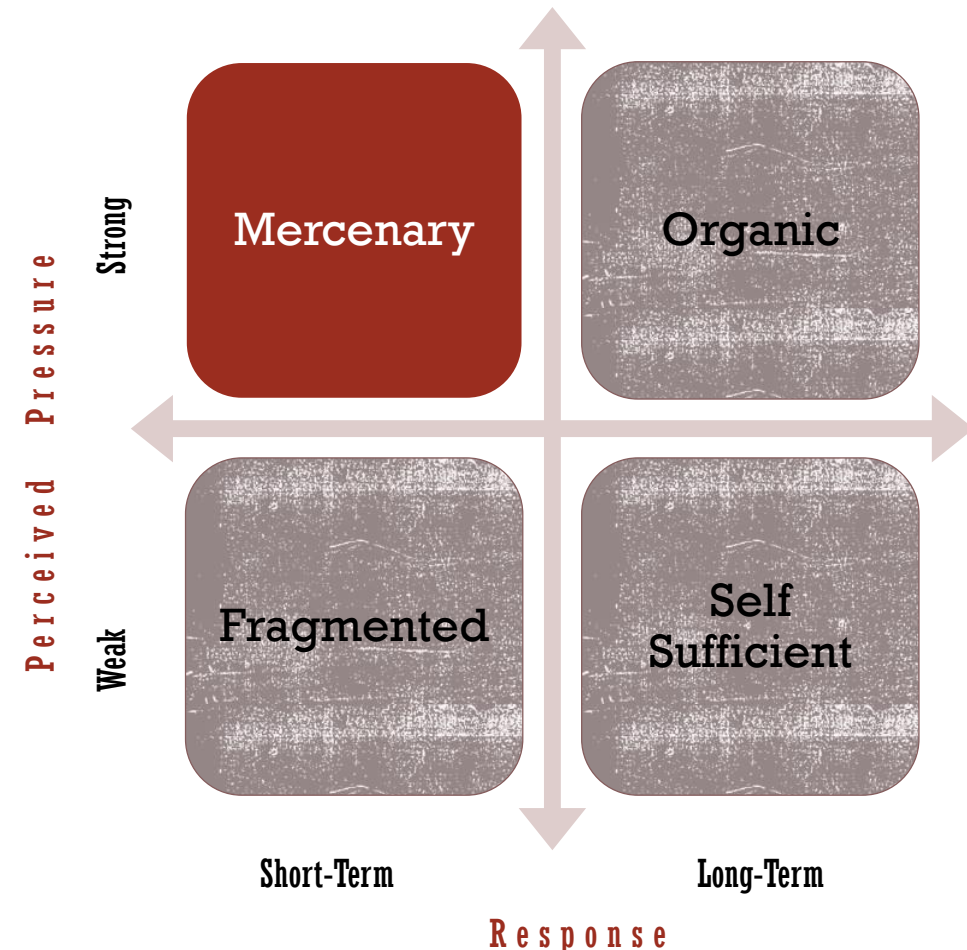
1. You Perceive Strong Pressure
2. Your Approach: Short-term; Look Outside For People And Answers

Main Characteristics:

1. Focus is coping in the short-term
2. Justify actions using short-term needs
3. Lack answers within existing management or culture
4. Obtain external, temporary help to proceed

Creating A Strategy: Part 1

Strategy Orientation:



ORGANIC STYLE

Michaud and Thoenig's Strategy Orientation

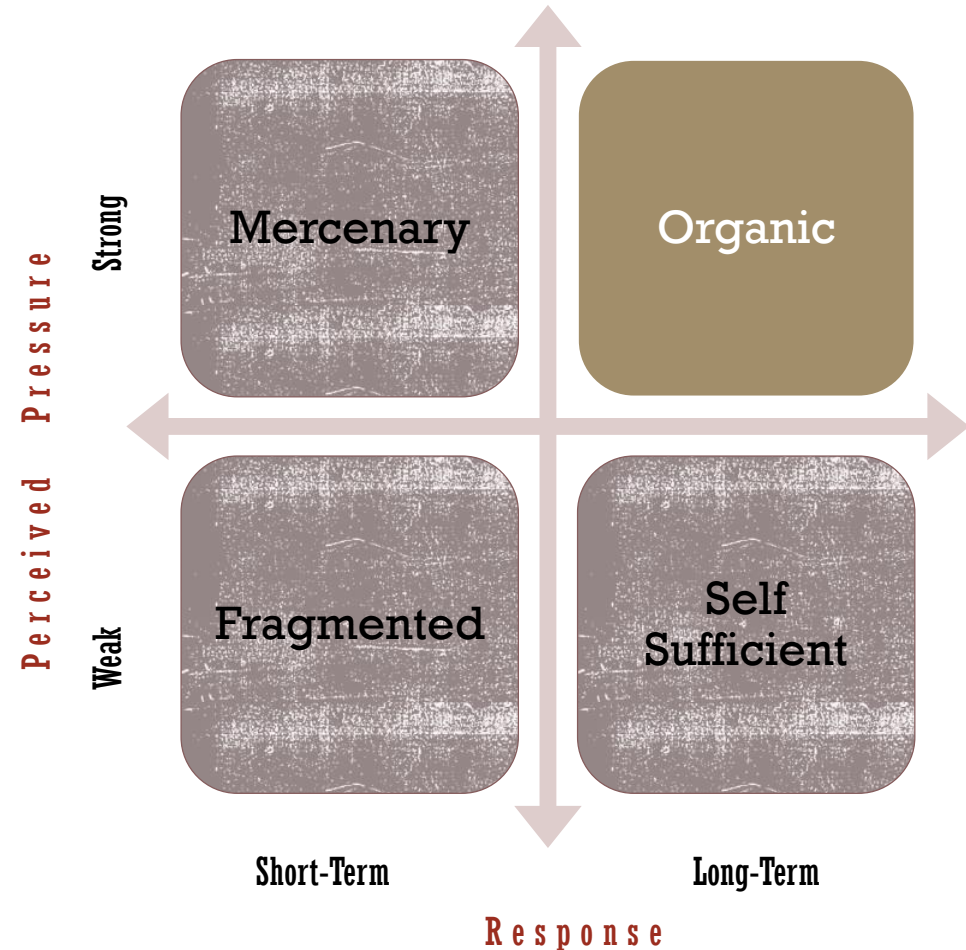
Approach:

1. You Perceive Strong Pressure
2. Your Approach: Long-term; Look Inside Organization For Answers

Main Characteristics:

1. Focus is taking a long-term approach
2. Approach Is To Change The Organization Internally
3. Leaders Develop Internal Capabilities To Respond To External Pressures
4. Innovation And Creativity Encouraged

■ Strategy Orientation:



FRAGMENTED STYLE

Michaud and Thoenig's Strategy Orientation

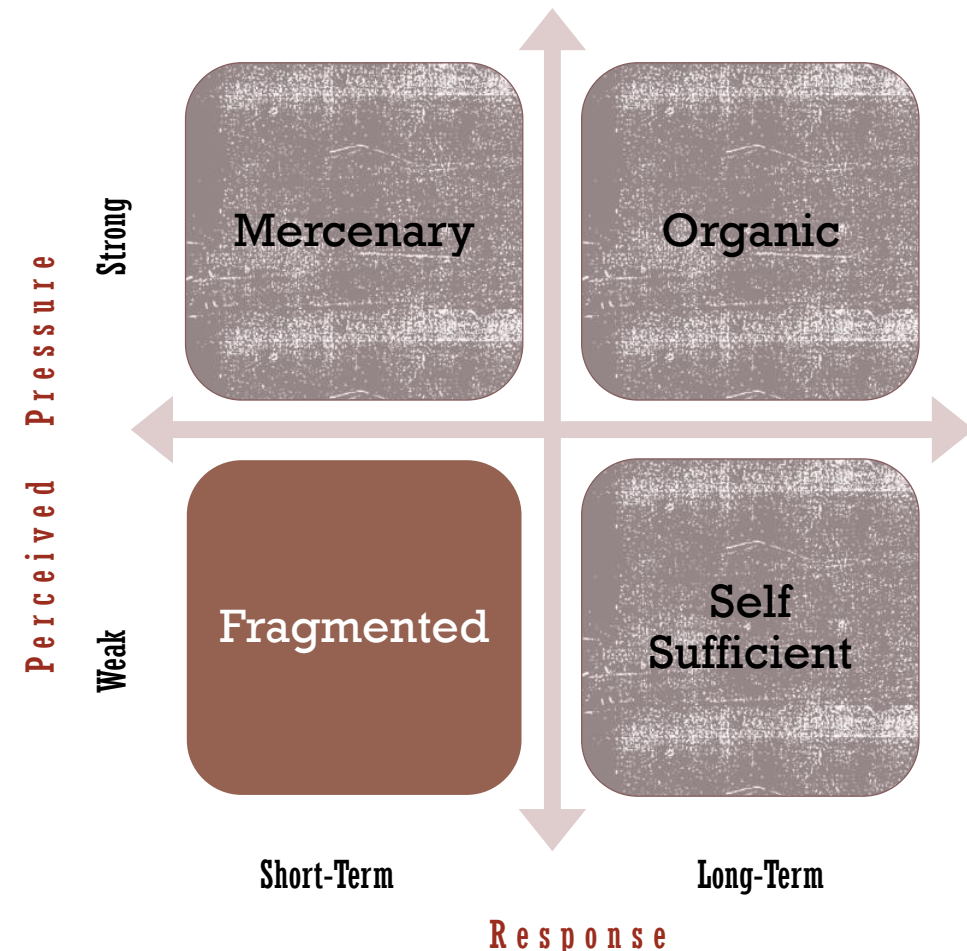
Approach:

1. You Perceive Weak Pressure
2. Your Approach: Short-term; Create A Community To Bridge Silos

Main Characteristics:

1. Focus is on Little Or No Change
2. Little Pressure To Respond To New Market Conditions
3. Answers Are Short-term And Pander To Fiefs Within Fiefdoms
4. Silos Exist Due To Parochialism

Strategy Orientation:



SELF-SUFFICIENT STYLE

Michaud and Thoenig's Strategy Orientation

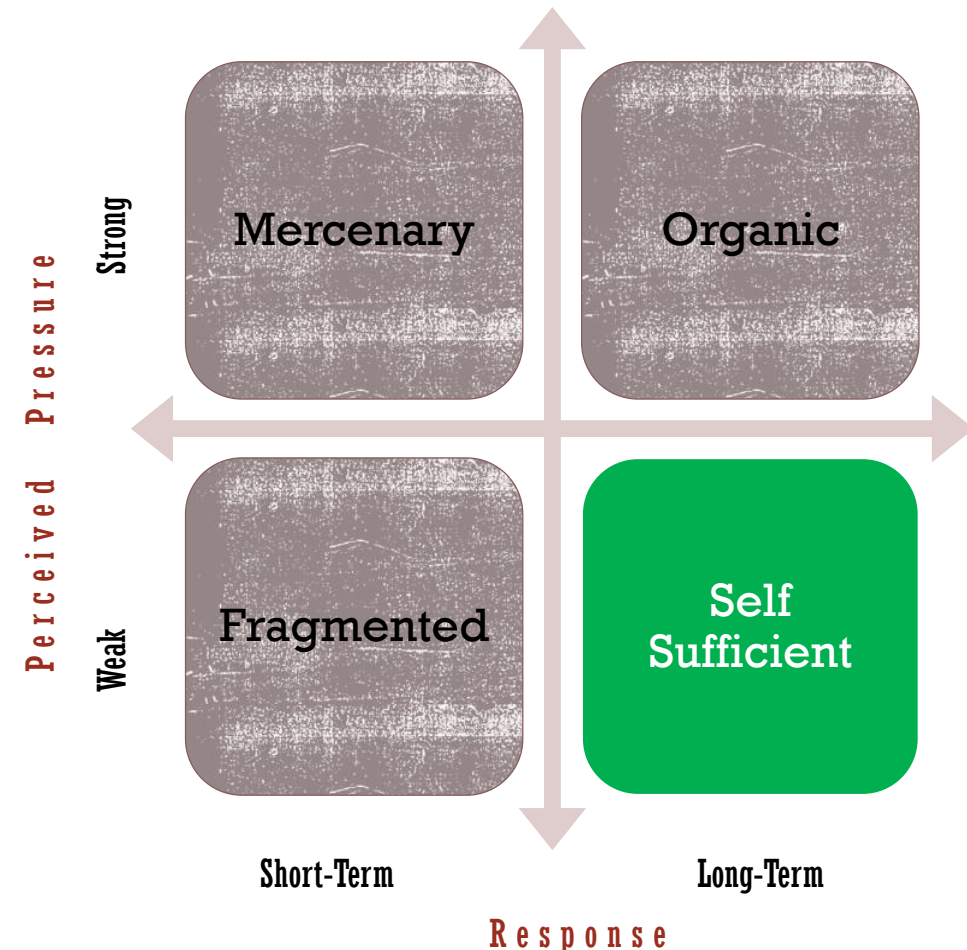
Approach:

1. You Perceive Weak Pressure
2. Your Approach: Long-term; Look To Change And Innovate Internally

Main Characteristics:

1. Focus is to look inward to create the pressure to change and innovate
2. Desire to grow, improve and achieve despite being competitively placed
3. Value people who act as change agents to improve the company in long-term

Strategy Orientation:



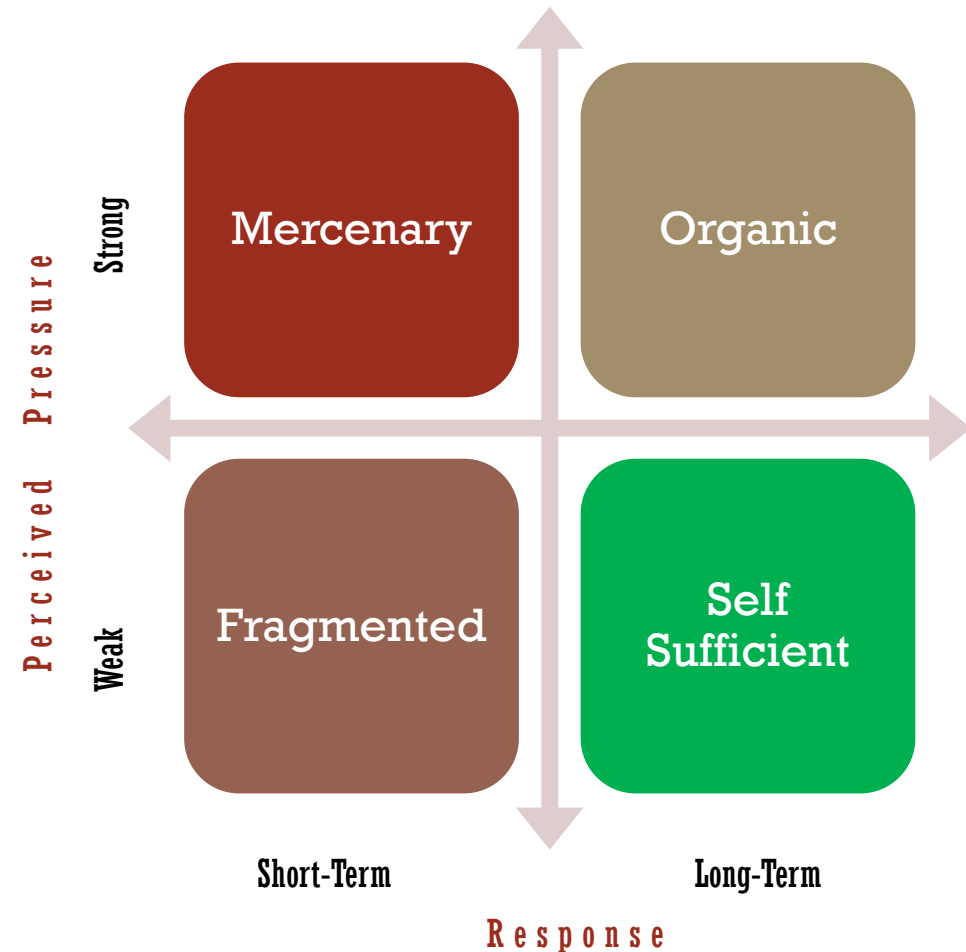
MICHAUD AND THOENIG'S STRATEGY ORIENTATION

Wrap-Up

Plan For Action

1. Matrix Allows You To Assess Perceived Pressure And Response
2. Discussing The Approach Will Provide You Insight On Your Leadership's Thinking: Is It Short-term Or Long-term oriented?
3. The Knowledge Will Allow You To Course-Correct Your Strategy
4. It May Also Provide Your Leadership Knowledge About What Your Drivers Are – This Forms The Foundation Of Your Narrative!

Strategy Orientation:



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TYPES OF STRATEGY

BLUE OCEAN STRATEGY

Comparison with Red Ocean Strategy

Red Ocean

- Represents Industries Today
- Industry Boundaries Defined And Accepted
- Known Market
- Cut-throat Competition
- Market Share Is A Driver: Companies Compete To Increase Market Share
- Characteristics: Value and Efficiency Are KPIs

Blue Ocean

- Industries NOT Existing Today
- Undefined Boundaries: The Wild West!
- Unknown Market
- No Competition: Untapped Market
- Innovation Is A Driver: Companies Create A New Market Or Break Out Of Existing Ones
- Characteristics: Growth Is Main KPI

Big Business Strategy Is Mostly Red Ocean Strategy!

BLUE OCEAN STRATEGY

Why Blue Oceans Are Important

How Many Industries That Exist Today Existed 30 Years Ago?

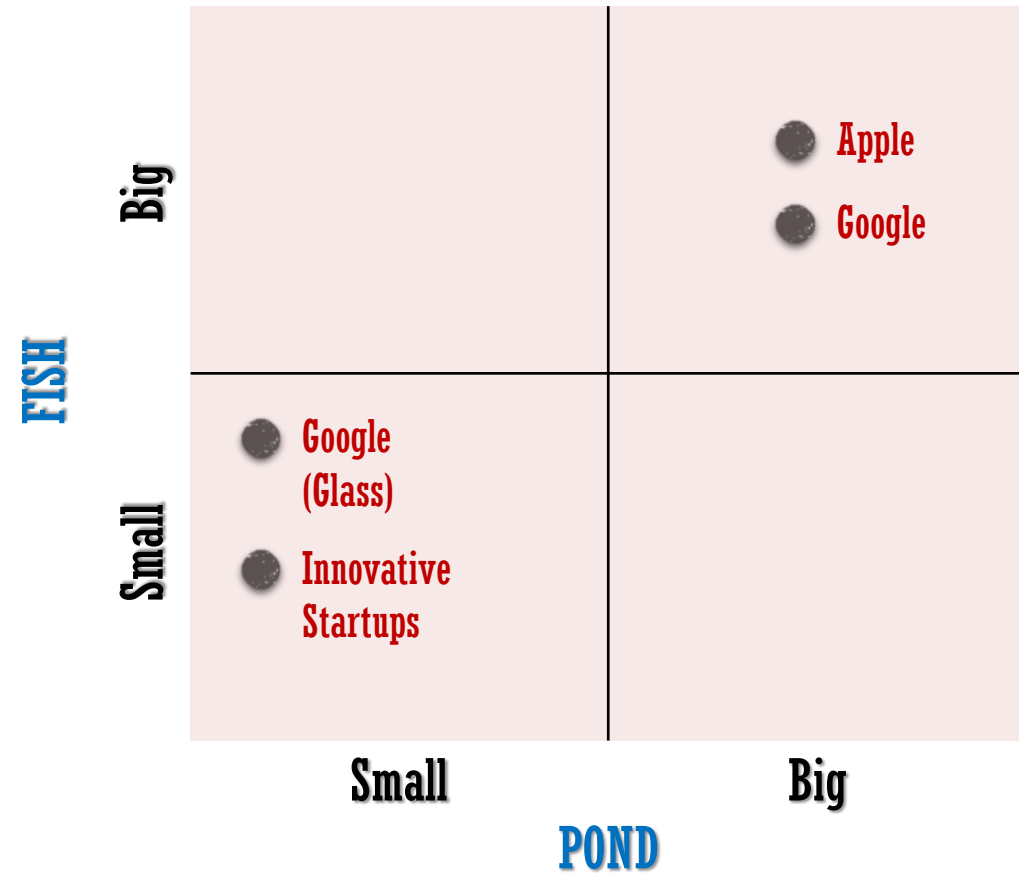
How Many New Industries Will Therefore Exist 30 Years From Now?

Globalization Has Its Effect: Fewer Monopolies, Greater Competitiveness And Increasing Price Wars

Technology Has Its Effect: Accelerated Commoditization Of Products And Services, Greater Efficiencies And Productivity, And Shrinking Profit Margins

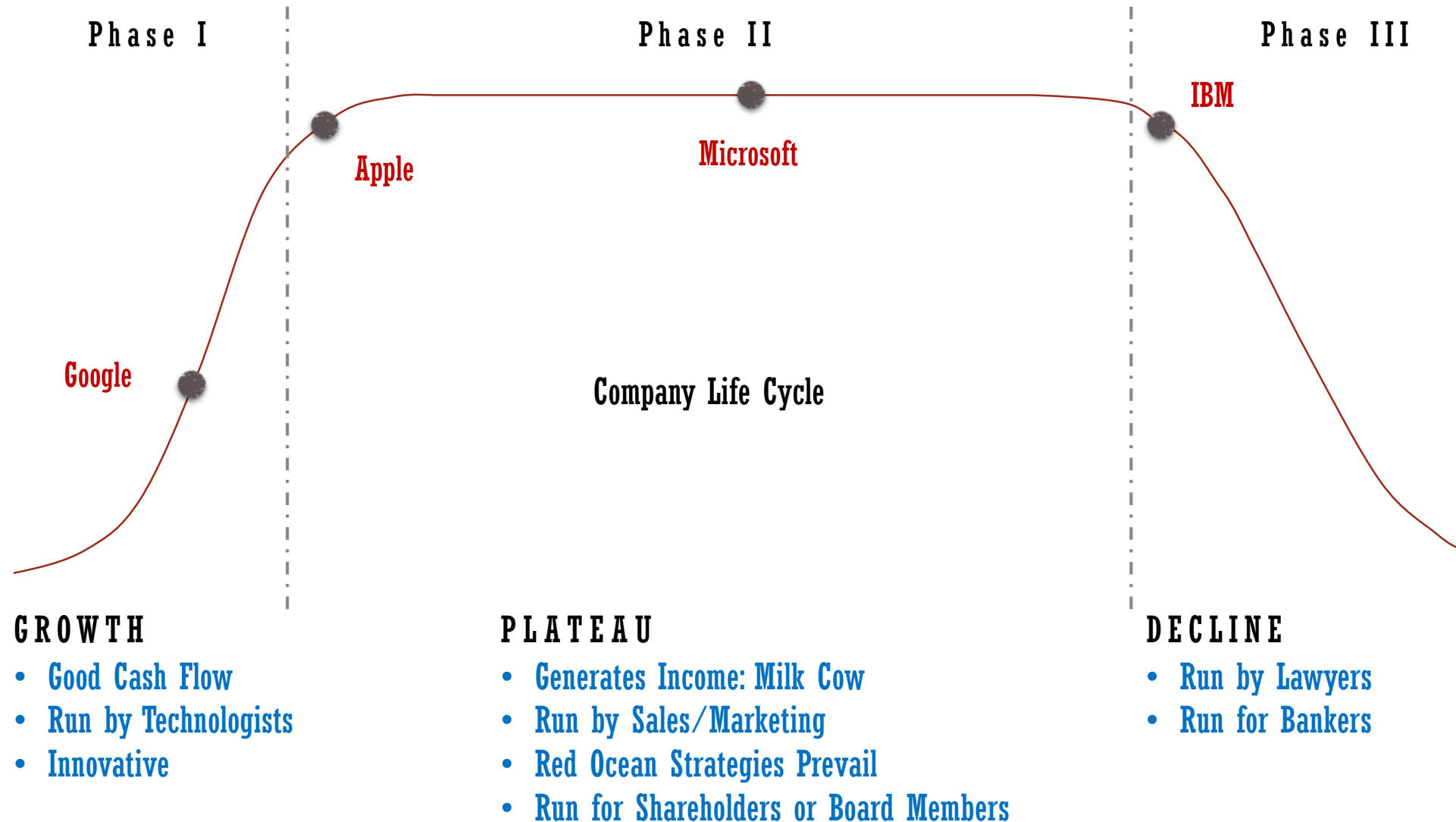
Thus, Need Exists To Create Blue Oceans OR Break Out From Red To Blue Oceans

THE FISH POND



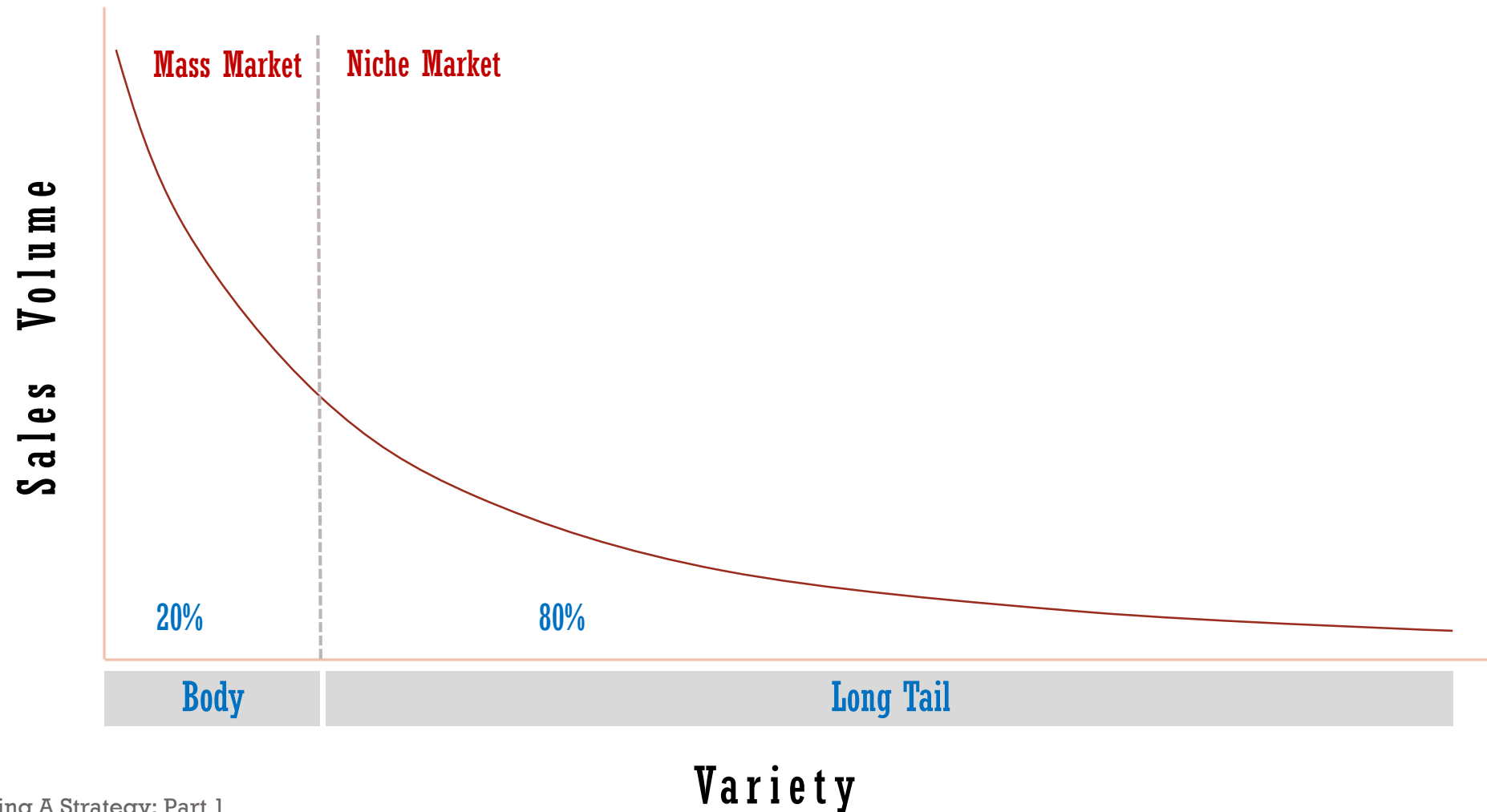
SITUATIONAL STRATEGY

Different Strategies For Different Folks



HIGH VALUE OR HIGH VOLUME?

The Long-tail



TOP-DOWN AND BOTTOM-UP STRATEGY

Top-Down Strategy

- Driven from above
- ‘The customer is king’
- Usually disconnected with lower layers
- Likely to be red ocean
- Example: Microsoft in the 1990s

Bottom-Up Strategy

- Driven from grassroots
- ‘Necessity is the mother of innovation’
- Usually innovative
- Likely to be blue ocean but there are exceptions
- Example: Microsoft in its early days

TO COME...

PART 2: TACTICS

- Innovation
- Blue Ocean Strategy
- Game Theory and Strategy

QUESTIONS AND ANSWERS...



THANK YOU

