

Title:

The Secrets Of Strategy - Part 1 Of 2

Word Count:

1816

Summary:

A step-by-step guide to creating a growth strategy based on your current situation and future possibilities.

I'll bet you think you already have a strategy.

And well you may, but strategy as a concept is just like love: much used and little understood. Many businesses (and that includes small entrepreneurs, large corporations, non-profits, community organizations, governments, NGOs...the works) neither know what strategy really is, nor how to get one.

And even if ...

Keywords:

business, business plan, strategy, growth, performance, planning, entrepreneur, development, goals

Article Body:

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And well you may, but strategy as a concept is just like love: much used and little understood. Many businesses (and that includes small entrepreneurs, large corporations, non-profits, community organizations, governments, NGOs...the works) neither know what strategy really is, nor how to get one.

And even if you do, in fact, have a strategy -- is it the right one? The best one? This is so important -- marketing guru Jay Abraham says -- and I agree -- a superior strategy badly executed will beat a bad strategy well executed, any day.

It's easy to say, "This is big company stuff. We know what we need -- why should we do all the extra work." While a "strategy-less" group of marketing tactics

may work well and produce good results, is it taking your business in the best direction? You may be making money, but are you making the most money possible? Could another suite of tactics implementing a superior strategy produce far better results?

Which brings me to the point of this two-part article: how to formulate strategy. In the next 1500 words, I'm going to present the first half of a basic system for identifying high-impact strategies in your business. (Just the first half? Yes. While I strive to make this as simple as possible, it still takes a bit of explaining, and editors and readers alike detest long articles!) So Part 2 will finish the outline, and in future articles, I will discuss each system component in finer detail.

Let's begin with a working definition of strategy.

Strategy is the guiding principle on which are based a series of interlinked decisions regarding the selection and deployment of resources and tactics, whose purpose is realizing a vision and achieving decisive objectives in a competitive and changing environment.

This definition tells us a few things:

- * The purpose of all strategic decisions is achieving your vision and "decisive" or critical-to-purpose objectives.
- * Strategy is about selecting specific resources and tactics to get the desired result.
- * Strategy is not static; it is decisions in a series, and evolves continuously over time.
- * Strategy is broad and all-encompassing. With that in mind, here are the 8 steps in formulating strategy:

1. Set your vision
2. Gather environmental and competitive intelligence
3. Take stock of your organization's strengths and weaknesses
4. Select your "grand strategy"
5. Establish decisive objectives

6. Rate and rank your "SWOTs"

7. Match your internal and external factors to identify strategic alternatives

8. Select specific strategies for implementation

Of course, there is one last step: turning your strategy into tactics and game plans, and execute. We won't get into that in this article.

Step 1. Establish your vision.

People complicate the idea of vision. A vision is simply a story describing how you want things to be in the future. Some people can tell these stories easily -- they know exactly where they want to be and what it will "look" like.

Others need help. The best approach is to answer a series of questions regarding what your organization does, who are it's clients or beneficiaries, what its impact is, how big it is, where it is, how it operates, when all these things will occur, and so on. As a result of answering these questions, your vision will emerge.

Of course, you may already have a vision. If so, now is the time to insure that it is relevant and powerful.

The test of a good vision is if it inspires; not only you and your management team, but all of your stakeholders: your partners, employees, clients, investors, vendors, lenders, your community, your government-and perhaps the public at large. A great vision inspires, and it also provides direction. Every action you take should further your vision. If it doesn't, don't do it.

Step 2. Gather environmental and competitive intelligence.

To develop the best strategies you must understand the world outside your organization. Quantify and qualify, not just absolutes, but trends. And importantly-identify changes in the status quo. Key areas for focus include competitors, technology, market size and trends, your clients' industry health, macroeconomic trends, availability of key resources (people and materials) government regulations and other political considerations, and changes in demographics and psychographics -- like customer taste.

Devise relevant measures for each of these key external areas. For instance, examine your competitors for revenue, profit and market share growth (or

decline), product and service changes, shifts in marketing and sales strategy, changes in geographic distribution, strategic alliances, and major customer announcements.

Macroeconomic factors include the obvious such as interest and employment rates and trends, production and consumption statistics, along with finer grained-industry issues such as new home buying-which impacts a wide variety of businesses, or defense spending-which impacts a completely different set of sectors.

Step 3. Take stock of your organization's strengths and weaknesses.

Now it is time to shine the light on your organization. Examine each functional area looking for strengths and weaknesses. Identify strengths that will help the company realize its vision, and weaknesses that will impede its goals.

The following is a starter list of focus areas:

- * Ability to get new prospects (Marketing)
- * Ability to get new clients (Sales)
- * Products and services, both existing and those in R&D
- * Finance or Money, including cash flow, access to capital, revenues, profits, ROI
- * Leadership, including values and vision alignment, decisive objectives
- * People, including skills inventory, staffing levels, employee loyalty, compensation

Other areas to examine include:

- * Client satisfaction
- * Client services
- * Logistics
- * Competitive positioning
- * Unique Client Proposition

- * Management team

- * Administration

Step 4. Select your Grand Strategies.

This "grand strategy" approach is based upon industry/product revenue growth rates. It is specific to a business unit with one major industry and/or product focus. If your business is more complex, you may repeat the process for each focus sector.

First, consider your industry and product sector growth rate. Is it growing or declining?

Second, consider your competitive strength within that sector. For this analysis Competitive Strength has two components, the size and trend of your market share, and your organization's financial strength; specifically either cash flow from operations, or access to capital.

To simplify: strong market share + strong finances = strong competitive position. Either strong market share or strong finances = average competitive position. Neither strong market share nor strong finances = weak competitive position.

This defines a two-by-three matrix of strategic choices from which to select your grand strategy.

The exact choice you make will be dictated by the specifics of your situation: sector strength and competitive strength, along with your stated vision and purpose. Choose from the list which best describes your business:
Strong sector, strong competitive position

This means that you are in a growing market, hold a commanding market position, and have cash with which to maneuver. Your strategic choices include:

- * Market strategy to increase demand and sales for existing products and services, in existing and new markets

- * Marketing strategy to increase market penetration for existing products and services and capture greater share

- * Enhance or extend existing products and services; add-ons, backends, strategic

joint ventures

- * Gain control over distribution - bring external sales inside. Take sales from distributors
- * Gain control over suppliers Acquisition, merger, or joint-ventures with competitors
- * Develop strategic partnerships to increase distribution, or gain new products
- * Develop related products and services for existing customer base - backend strategies

Strong sector, average competitive position

Here you are in a growing market, but have either a commanding position, but limited cash-or vice versa. The exact choice available to you depends on your situation. You can:

- * Seek underserved niches: move into small, defined and profitable markets
- * Marketing strategy to increase market penetration for existing products and services and capture greater share
- * Enhance or extend existing products and services; add-ons, backends, strategic joint ventures
- * Strategic partnerships - seek products/services for existing customers
- * Exploit assets via joint ventures and host-beneficiary relationships
- * Develop related products and services for existing customer base - backend strategies
- * Increased marketing penetration via distributors and 3rd parties
- * Get more money: raise capital via debt or equity

Strong sector, weak competitive position

You are in a strong sector, but have relatively small market share, and limited or no cash. Your choices include:

- * Seek underserved niches: move into small, defined and profitable markets

- * Marketing strategy to increase market penetration for existing products and services and capture greater share
- * Strategic partnerships - seek products/services for existing customers
- * Develop products and services for existing customer base - backend strategies
- * Sell your client base to a competitor or cooperator; or reposition your existing products to appeal to new customer types
- * Sell the product line and use cash to reposition remaining assets
- * Sell the company

Weak sector, strong competitive position

In this case, you dominate a weak market and have cash to exploit your position. You should:

- * Add related products and services for existing customer base - backend strategies
- * Add un-related products and services for existing customer base - backend strategies
- * Add new products and services for new customer base
- * Create joint ventures in unrelated markets

Weak sector, average competitive position

You are in a mediocre position in a weak market. Depending on your exact circumstances, you can retreat, use what's left of your cash to buy your way out with new products, or try to enroll a strong partner. Choices include:

1. Reduce costs however you can
2. Add related products and services for existing customer base - backend strategies
3. Add new products and services for new customer base
4. Seek to dominate the smallest definition of your market using low-cost / no-

cost strategies

5. Create strategic partnerships and joint ventures

Weak sector, weak competitive position

Sorry to say, you are in a bad place. In a word -- retreat! You can do this by:

1. Reduce costs however you can
2. Sell product line
3. Sell company

If you don't want to liquidate, seek to expand your marketing using low-cost / no-cost marketing strategies - but this may be a losing proposition

Also, as above, attempt to create strategic partnerships and joint ventures, but it may be difficult to attract partners to a market with poor fundamentals. At this point you might say, "...sell the customers? Sell the company? No way. I'm holding on." That just isn't a strategic point of view.

Strategy says you can make more money doing something else -- so you best start thinking about it.

In general, these choices are listed from most attractive to least. Your organization's best choices will be based on your particular circumstances.

By now you have formulated a vision, gathered analyzed your external environment and organization, identified relevant strengths, weaknesses, opportunities and threats, and begun to zero in on a grand strategy. That should keep you busy for a while.

In The Secrets of Strategy, Part II, we'll complete the process.

Remember-you don't need a strategy. But having one increases your chances of generating the greatest profits from your resources. After all, that is the whole point of strategy.

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