

In the following article author Philip Atkinson suggests that too many organisations have failed to create a strong business strategy to outwit their competitors, dominate market intelligence, retain existing customers and market share while at the same time attracting the loyalty of new customers.

Philip highlights the importance of rediscovering the strategic review and developing it into a tangible business plan.

I was asked at a recent workshop to explain as simply as possible the key issues that organisations have failed to address. Three factors are important, 'Focus', 'Energy' and 'Alignment'. I'll deal with each in turn.

Focus is critical because it indicates direction and progress. Without an objective, a 'raison d'être' an organisation will be in chaos – people will be confused over which direction to follow. Clarity of thought has to be articulated and shared to focus the thoughts and motivations of all in the business. This is an important issue for all businesses. Yet so often we have witnessed average large scale businesses having failed to address their directional focus and commercial priorities.

Let us assume that direction is fixed and firm. The business knows where it is currently and where it wants to go. Does the organisation have the capability to achieve the objective or aims? Does it have the competence to galvanise the energy and resources to mobilise and motivate all functions, processes and people towards the overall mission or focus of the business? Here many businesses fail to achieve their potential because of failing to energise resources to achieve their objective.

The final factor is Alignment. If we focus our direction and mobilise the energy, can we ensure

that all functions and people are pointing in the same direction? Can we be certain that everyone has bought into the process and fully understand how their contribution fits in the grander 'scheme of things' and will be valued and measured?

The Triad – Focus, Energy & Alignment

We need all three elements to make the strategic process work. Having 'Focus' without energising people to achieve objectives is no more than 'theorising' and 'gazing into the future'. Having the 'Energy' and motivation to achieve is likely to create lots of interest and momentum but without a direction the people in the organisation are no more than busy!

There is lots of activity and enthusiasm but no one is sure whether what they are doing is of value and makes a difference. It is also pointless having 'Alignment', without direction or focus and little energy to achieve it. A system geared to alignment will be no more than a bureaucratic formality waiting for the key two building blocks to be put in place as a critical step.

Clearly the three elements of the strategic triad are imperative – although most organisations can achieve a good thrust relying on 'Focus' and 'Energy'. But to gain momentum and put all the visioning and energy into action requires a firm commitment to 'Alignment' through an action or implementation plan – usually identified as a business plan.

Rudderless Business

Today, as change impacts upon activities daily and forces us to consider our strategy and tactics, the average organisation has to be fairly adept at adapting to change. However, in some organisations the opposite occurs – where the intensity of change has actually slowed down the capacity of the organisation to react swiftly thus leaving the business virtually rudderless. Speed and accuracy of decision making is critical for any business and as soon as this process is allowed to slow down, confidence in the whole business is diminished. The capacity to make informed or even intuitive decisions is the cornerstone and characteristic of a lively enterprise. If an organisation cannot influence its future, it is merely a twig swept along by the swell or tide of events.

For an organisation to flourish it has to determine its future, and this is based upon making decisions about how the future will be shaped rather than being shaped by events considered outside its control. When things are happening too fast in the marketplace for the decision-making process to keep pace – let alone anticipate change – it is time to think again about whether your business is an 'influencer' or 'follower' in your market. If the locus of control for its future largely falls outside the organisation, it is only a matter of time before the actual existence of the business is put under threat. This failure to make decisions and act quickly enough can be the death knell for many organisations.

Strategy: Failing to plan is planning to fail

by Philip Atkinson



Strategy Review

There are critical incidents in an organisation's life when a 'wake up call' can summon top team members to reconsider the direction for their business. We would like to think that this was a positive response to wanting to control more of their market, rather than a reactive strategy geared to minimising loss. Those who commit to take control can achieve a great deal. General Electric currently the largest company in the world with earnings of over \$130bn with consistent almost double digit profit levels has for the last 15 years portrayed a strategy of being either No 1 or No 2 in each of the markets in which it was competing. GE has always been acquisition hungry and not a day goes by without GE merging, acquiring new businesses or disposing of poorly performing operations. Any Business School will ratify GE's commitment to strategic domination and its powerful analysis of the market. The learning for other organisations, (whether commercial or not for profit) is simple – if you choose to take control, analyse the market, forecast and identify trends, and build a culture to support change, then growth, certainty and rewards will follow.

Strategic Review – Take a Good Look in the Mirror

The key issues are 'push' and 'pull' factors. Are you being pushed into reviewing your ability to achieve your mission, or is there a compelling strategic reason to restructure? As stated before, GE have a very firm quantifiable objective in mind about being No 1 or 2. All the time they focus their energies on shareholder value. That is sometimes their key over-riding objective. But not all organisations are the same and they may want to assess their success differently.

Some organisations may provide services or seek to meet a social need, but they still have to capture the attention and win the support of those who are consumers, end users or customers of their service or product. How will you be assessed and how does that assessment affect your longevity as a business? One issue important for those who operate in the 'not for profit sector' is that the resources they are allocated are fixed. These organisations cannot frequently

go back to those who fund them and ask for additional investment. It is even more important that these organisations commit to the strategy process for the benefits that accrue to the organisation, its consumers and its people. Only by utilising their resources, thinking smarter and thinking strategically can they maximise their output and use their resources more efficiently.

A key activity is awakening the organisation to the benefits of strategic thinking. This means taking a good, self critical look in the mirror and asking the question – 'How are we doing?' It requires not only self analysis but also a review of the perceptions of key customers and stakeholders. If the organisation does not have customers in the traditional sense then focus on 'end users' or 'consumers'. Strategic analysis requires a commitment to quantify the response of stakeholders, and its impact on the organisation's future.

Strategy – Does it evolve or can we meticulously plan it?

There have always been two divergent views on Strategic Planning initiated between the two giant thinkers on the subject, Henry Mintzberg and Michael Porter. The issue is whether the strategic process 'evolves' or can be planned with 'analytical detail' following a sequenced set of steps or processes. The truth for most organisations probably lies somewhere in between the two extremes. The determining factors relate to the specific organisation, its history and politics, its relative control of the market, relationships with customers, suppliers, staff and pressure groups, existing competitors and the actions of potential new entrants as well as a host of other external variables.

Strategy does not just evolve nor does it reside in the hands of a few. Having faith is not enough when working with strategy. Sometimes, instead of balancing the 'rational' and the 'intuitive' the 'intuitive' takes priority over the more rigorous analytic approach. The danger of this is suggesting that much of strategy evolves as the market changes and could not have been foreseen without other spontaneous actions taking place. This explanation of strategy may be accurate but more often than not



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Fig 1:

The Benefits of Strategic Planning

- ◆ Aligns with investors and gives confidence to the market and principal shareholders, creating positive support from financial backers and other financial institutions
- ◆ Stakeholders are aware that the business is focused specifically on key areas and provides review for regulatory bodies
- ◆ Customers are confident that the 'provider' is further looking to add to customer satisfaction and committed to customer or consumer needs
- ◆ Powerful PR for potential partners, customers or prospects considering partnering with the organisation
- ◆ Reviews senior management planning and decision making in line with development of the business
- ◆ Opens up the analysis of the business, the market, competitors and suppliers, technology, regulatory bodies etc
- ◆ Tangible involvement for others in the business to become involved in the strategic process, competitor analysis, organisational review
- ◆ Creates confidence amongst staff that the organisation is committed to development, improvement and continuance

Fig 2:

How does your business compare on creating a solid strategy?

- ◆ Do you have a firm idea of the direction for the organisation and what principal markets and services it will be offering in the next 24 months?
- ◆ Have you conducted a 'vulnerability analysis' for your organisation analysing where you are weak and under threat? Where are you most at risk from competitors or others that provide similar services?
- ◆ Have you reviewed the key services you offer and considered where they fit on the 'life cycle' within different markets with varying sophistication of customers?
- ◆ Do you have the internal capability to deliver to the expectations of key stakeholders? Internally, where is your business most at risk in failing to deliver strategic goals?
- ◆ To what extent have you developed a robust process for reviewing and creating business strategy?
- ◆ Have you taken the necessary steps to create the culture and the infra-structure to support your strategic direction?
- ◆ How well have you created a strong and reliable communications infra-structure to support the transmission and dissemination of information that supports, builds and expresses your strategic intent?
- ◆ Do you have confidence in your first line managers or team leaders ability to articulate the strategic thrust of the business and understand how their tactical actions contribute to the larger scheme of thing?

moves management teams away from analysing the problems they face using quite powerful tools. The whole focus of the 'planning process' is that the process itself can have a profound input for strategy for an organisation. Just paying attention to that which was not assessed or considered important in the past may have an enormous contribution for the future. Sometimes, the process of study and analysis can yield many outcomes that would have previously been left unquestioned. Planning by itself throws up questions and issues that require input for clarification from different quarters. Assumptions made by varying people or parties relative to the organisation have to be tested and fully understood. Market conditions have to be analysed in depth and quantified.

This is where quantitative analysis can help and undoubtedly where strategic consultancies such as Boston Consulting Group (BCG) and others demonstrate their value to the larger complex business. There is no doubt that organisations have to thoroughly review their strategy in light of the factors displayed in Figure 3.

Over a number of years a variety of tools have evolved which are extremely powerful for the review of strategic analysis for most organisations. The tools and techniques can sometimes be industry specific but generally they can be tailored to a specific organisation in order to converge into a complex model. The model then can be used as a powerful process for assessing the actions necessary to compete or provide a customer or consumer focused service in any given market. The process need not be tortuous and can soon be woven into a potential business plan that can unfold and impact positively on the organisation in the immediate and longer term.

Fig 3: **Strategic Analysis of Organisation in its Context**

- ◆ **Organisational Analysis**
 - ◇ Cultural Review & Audit
 - ◇ SWOT
 - ◇ Vulnerability Analysis
- ◆ **Competitor Analysis**
 - ◇ Benchmarking services
 - ◇ Market Analysis
- ◆ **Industry & Situational Analysis**
 - ◇ Market Share
 - ◇ Technological Change
 - ◇ M&A activity
 - ◇ Regulatory & Legislative bodies
- ◆ **Supplier Relationship**
 - ◇ Supplier Development
- ◆ **Customer Satisfaction & Consumer Reaction**
 - ◇ Customer Retention
 - ◇ Prospect Conversion
 - ◇ Change in Customer Trends and Habits
 - ◇ Customer Profiling
- ◆ **Environmental Scanning**
 - ◇ Wider Economic Analysis
 - ◇ Political Situational Analysis
 - ◇ International Trends
- ◆ **Stakeholder/Investor Relations**
 - ◇ Media Perception

Key to Strategic Analysis

To get to the real core of the subject any business, commercial or otherwise, will have to appraise the services they currently provide and the nature and changing dynamics of their market. In turn they must investigate how the market is changing not just in terms of what the business is offering, but what other businesses are offering. All the tools can be used to varying degrees but the organisation should decide which will provide the best value in terms of accuracy of information and blend this with the commercial clout and acumen of the organisation in terms of predicting the likelihood of assumptions in the market being true and accurate.

The larger strategic consultancies will devote resources to this and many have developed very sophisticated tools that can help quantify this process. Because we believe that the strategic process can both be planned and partly based on intuitions, experiences and subjective market knowledge, we tie these together in a Strategy Matrix very much developed upon the Boston Consulting Grid (BCG) Model – though simpler to apply and understand. What we have done is simplified the process so that a management team can review the situation and consider options for further analysis and decision making in a relatively short period of time. This in no way discounts the BCG approach and tools, which would be invaluable for strategic analysis for a

large complex business. What we offer is a quick and incisive insight into their product portfolio which clients could then take further using a more sophisticated process, such as BCG.

This process has worked well in many organisations ranging from a leading Agri-Construction and Automotive Business in the USA, a European financial services business in London, a large legal practice in Edinburgh and a leading manufacturer of alcoholic drinks in the UK. This process had been used in the bio-technology business where an organisation applied the technique to forty-nine geographic locations, to auto-finance, software development, consumer finance and tractor assembly. The process is simple to apply and is based both on analytic and intuitive experiences of the market and customers. Moreover, the process can be applied at senior level for the whole business or locally at a regional office or specific function, such as the sales office, IT section, or the distribution and logistics centre. The process generates a tremendous amount of discussion and teases out both the 'valid' and 'inaccurate' assumptions that have been made about how people and forces operate in the marketplace and relate specifically to the actual and potential portfolio of products offered by the organisation. Also this approach is equally applicable for service or product orientated business and for those in the not for profit sector.

Portfolio of Services

Every organisation has a portfolio of services they offer their customers, either in return for payment, exchange or as part of a social transfer of resources, assets or knowledge. Each product group or specific service within the current provision of services will at any time occupy a point on the birth-death scale of the life cycle for that product or service. What is vital is to know with certainty where the product is in terms of customer perception. For one customer it might be perceived as being critical and the only product to fully satisfy their needs. For another customer, the service or product you have on offer is little different to others available to them. For the same product our customers may have allocated a different value to it.

This is where we are able to differentiate between market segments. For instance, in one location your product can be considered exclusive, highly valued, relatively scarce, unavailable from other suppliers and therefore hold a high market price and be profitable to your business. In another location the product may be little differentiated from the others available, be openly available from multiple suppliers and the market price barely covers your costs of production and distribution. This analysis enables us to assess the relative costs of an organisation's portfolio of products or service one by one, each market segment at a time. By analysing the relative value of each product, they can then be classified according to the value created for your business. Expanded analysis should be able to quantify each product, its market and customer and its contribution to the balance sheet. This level of analysis far exceeds this article but is a natural consequence of deeper investigation.

This approach can be particularly powerful for measuring the contribution of current product portfolios and if we compare this 'current situation' with potential for the products, we can build a rounded picture.

Amongst our portfolio of products some will be mature. We also have products which may not be complete products or services as yet – they may still be in development. These may be little more than simply good ideas that will, one day, after extensive research, fit into the organisations range of services on offer to customers. If you look at the full range of what the business has on offer, products will fall into these categories.

Fig 4:

Strategy Matrix

<p>High Potential Low Current Return</p> <p>Bright Ideas</p>	<p>High Potential High Current Return</p> <p>High Flyer</p>
<p>Low Potential Low Current Return</p> <p>Loss Leaders</p>	<p>Low Potential High Current Return</p> <p>Falling Stars</p>

Assessing Product Portfolio

We assess products along two axes. The horizontal axis reflects the current value generated by the existing products we have on offer. Value could be defined as the degree of profit, the percentage of sales, volume of activity, or as another financial ratio. Clearly, the business has to decide how to measure the value of the current product portfolio and decide arbitrarily whether this fits into the left hand column, of low to medium returns, or into the right hand column, which would indicate products or services which generate medium to above average returns.

As well as looking at current products, we also want to explore products currently under development or on trial and assess their potential contribution to the business. Which point will they occupy on the vertical column? Is it likely that they will generate low to medium returns, or will they have the potential to generate outstanding returns to the business? Our assessment is based upon our knowledge of the product, the reaction of specific customers to the product and its relative stage in the 'life cycle' to the customer.

If you look at the Strategy Matrix (figure 4), you will find four types of products or services outlined. This classification is based on the stage of their 'life cycle', which in effect is determined by specific customers in specific market segments. In an unsophisticated market, some products can be real winners for the provider and classified as 'High Flyers' and yet in a more sophisticated market, the same product could occupy the position of 'Falling Star' – once a winner, but little different to the competition on offer. Although the novelty of the product and its relative uniqueness are important in classifying the product to one of the four types in the four quadrants, the market segment where we are applying the product may be more important. For instance, a VCR for sale in Western Europe may create little profit – but the same product for sale in a third world economy will be perceived very differently because of limited supply or access. The product is the same – the market conditions determine how the product is classified.