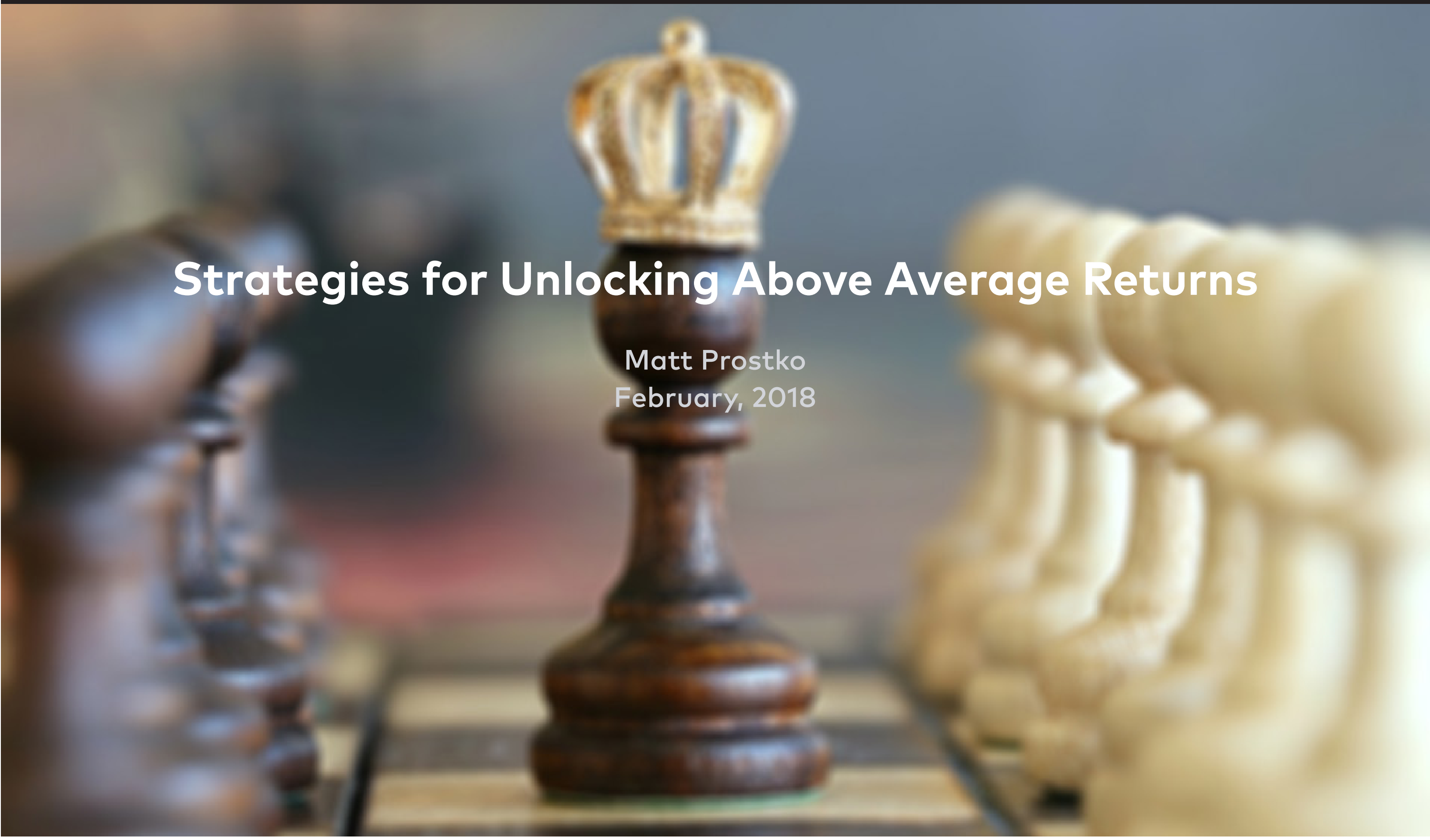

Strategies for Unlocking Above Average Returns

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In today's agile working environment, the responsibility for creating and refreshing strategy is being pushed further down into the enterprise. Historically, many management roles are more focused on executing existing strategies than creating new ones, so leaders often struggle with the process of strategy development. As such, it is one of the gaps in leadership capabilities that I most commonly hear reported within the companies I work with. In my book, Ahead of the Chains, I provide a simple set of tools to help leaders turn the vision and goals for their organization or team into a clear strategy that the organization can align to and execute.

Two of the most common of such academic models are the Resource Model and the Industrial

Organization Model, which focus on key factors inside and outside of the organization, respectively. These two models are pulled together in a common strategy tool called the SWOT framework. This framework challenges leaders to evaluate their organization from both an inside-out and the outside-in perspective– in order to identify the organization's Strengths and Weaknesses relative to those of the competition, and to evaluate the Opportunities and Threats presented by the customers and markets they serve. It is arranged in a familiar 2x2 framework as shown below:

	Helpful	Harmful
Internal	**Strengths**	**Weaknesses**
External	**Opportunities**	**Threats**

Figure 1. SWOT Framework

The SWOT Framework is a simple tool that is powerful if used correctly. It guides the user through a comprehensive analysis of conditions within and surrounding the firm, something that most leaders are comfortable conducting. Unfortunately, many leaders struggle with turning this analysis into a coherent strategy.

To help leaders combat this problem and translate their insights from the SWOT analysis into an appropriate strategic response, I offer a tool suggesting strategic approaches to resolving each combination of internal Strengths or Weaknesses when confronted by external Opportunities or Threats.

	Strengths	Weaknesses
Opportunities	**Offensive Strategies** Use your strength to create change or leverage change to your advantage ***Add to your game***	**Tackling Strategies** Actively pursue opportunities to counteract your weakness and change the game ***Reinvent the game***
Threats	**Blocking Strategies** Use your strength to block the opportunities of others and maintain the status quo ***Make them play your game***	**Defensive Strategies** Identify opportunities to up end the status quo, and create disruption ***Change the game entirely***

Figure 2. Game Strategy Framework

This framework offers guidance as to when it is optimal to take a more aggressive, offensive strategy, versus when a more conservative, defensive strategy is best, and when pursuing new ground, or focusing on blocking your competition from doing the same is the best course of action. I call this the Game Strategy Framework because it provides insight as to when you should "play your game," and when you should be committed to changing the game altogether. Ahead of the Chains explores each of these strategies in further detail, offering illustrative business cases for each, recommending basic strategic paths to pursue. But let's examine one solution more closely to explore the framework a bit.

Most of the companies that BTS works with are large enterprises, and more often than not, they are market leaders, operating from a position of strength. As such, the often occupy an incumbent position, and are therefore vulnerable to sudden shifts in the market. So, how do market leaders, when confronted by disruptive change, create strategies for above average returns? They stay on the offensive.

Take VMware for example. VMWare is a technology company, now a part of Dell Technologies, focused on cloud and virtualization software and services. In the 2000's, VMware was a pioneer, and the market leader in virtualization technology. The leadership position VMware created by being a first mover amassed considerable wealth for shareholders and employees, and they had every reason to defend and maintain that position. At the height of their success, cloud-based technology was establishing itself as the platform of the future. But, instead of resting on their incumbent position, VMware chose to take the offensive and disrupt their own market. By taking this aggressive stance, they extended their dominant market position for far longer than if they had stood pat. It was risky, but is a classic example of an organization that added to their game by staying on the offensive.

The penalty for not staying on the offensive can be steep. In the 2000's, Motorola was a leader in the cellular handset market, a category it essentially pioneered. They followed up their outstanding StarTac flip phones with the Razr, and its ground-breaking form factor. Both of these phones were built on an industry-dominating analog baseband radio technology. Despite obvious indications that the industry was moving to a digital baseband, Motorola was certain that its analog technology was superior, and chose not to pursue digital. In a few short years they found themselves two platform versions behind the market. Their decision to "play defense" from their incumbent position left them woefully behind their competitors, like Nokia, who took advantage of the void created by Motorola's mistake and seized control of the market based on the cost and software advantages enabled by a digital platform. Motorola's lack of an offensive strategy cost them their market leadership position, and ultimately led to their irrelevance in a market they created.

So, the most successful companies actively scan the landscape of the significant change confronting them in the marketplace, and mine it for opportunities that they can exploit. Moreover, they are willing to explore significant departures from their paths to success, or even to cannibalize their current business models in pursuit of more forward-looking strategies. Therefore, I contend that strategy leaders pursuing opportunities from a market leadership position should consider:

- New opportunities will rarely look as good as your current cash cow, but that is not how you should be evaluating it. You should be asking, "Could this opportunity meaningfully add to my game?"
- Many of the strongest opportunities may have significant implications to your current business model. In some cases, it may be better for YOU to cannibalize your existing business, rather than leaving the opportunity to someone else
- As a market leader, you should be paranoid about that position, and assume that new competitors have you in their gunsights, attracted by the margins you command. Ask yourself, "Can my smaller competitors use this opportunity to their advantage?"
- You should be constantly experimenting with a portfolio of new market opportunities, knowing that not all of them will succeed. Maintaining that portfolio is a required cost of being a market leader
- The most successful organizations proactively look for opportunities, especially when they are at the top of their game, operating from a position of strength. Great business leaders operationalize these types of market sensing capabilities

These tips offer guidance in strategy development for market leaders who are pursuing growth opportunities. The Game Strategy Framework explores all four of these approaches in depth, and offers insights to organizations of any size, strength, or market position. A well-thought out strategy, which is consistent with your internal capabilities and external market position, is the key for delivering above average returns for your organization.

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