

Enrichmentors Business Review

**Formulate Winning Business
Strategy and grow your business
faster**

A strategy development paper

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What is in this Issue From The Editor's Desk

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Dear Reader,

We are very happy to bring to you this Issue of Enrichmentors Business Review (EBR) with the sole objective to help you improve your business through select article that you can read here and implement next day. It is our sincere hope that these articles will not only help improve your business but also improve your personal health and wealth. If you find us falling short of this objective, please do communicate to us immediately so that we can improve the content in the next issue. If you think that we are doing the right things, please share this EBR with your friends and colleagues so that they can also benefit.

The articles selected are not original conceptually as that is not the intent as well. The originality of the articles arises from making them application oriented for you. Many of the articles take the original concepts forward and bridge the normal gap to ensure a productive execution that results in either better top line or bottom line or both!

For example the concepts in the Strategy Development Paper on Winning Business Strategy is taken from the legendary work of Michael Porter in his book Competitive Strategy. We have attempted to take his concepts a step closer to where they can implemented easily for you without having to invest too much time which is so scarce. After much internal debate, we decided to include all the working templates that are proprietary to Enrichmentors in the larger interest of the business community.

Hope you enjoy this issue and benefit from it.

Formulate Winning Business Strategy and grow your business faster

A strategy development paper

This strategy development paper details the following aspects of formulating a Winning Business Strategy that can help you grow your business faster.

- *What is a Winning Business Strategy?*
- *What are the things you should based your Business Strategy on?*
- *What are the generic options for the Business Strategy?*
- *How can you test if your Business Strategy is the Winning Business Strategy?*
- *How to formulate the Winning Business Strategy?*

What is a Winning Business Strategy?

Winning Business Strategy is a right combination of the goals you are trying to achieve and the means by which you can get there. The key elements of the **Winning Business Strategy** are derived from developing the right answers to the following question for your business. It was best visualized by Michael Porter in his book **Competitive Strategy** as the **Wheel** in which the hub and spokes representing the goals and strategies are in perfect synchronism.



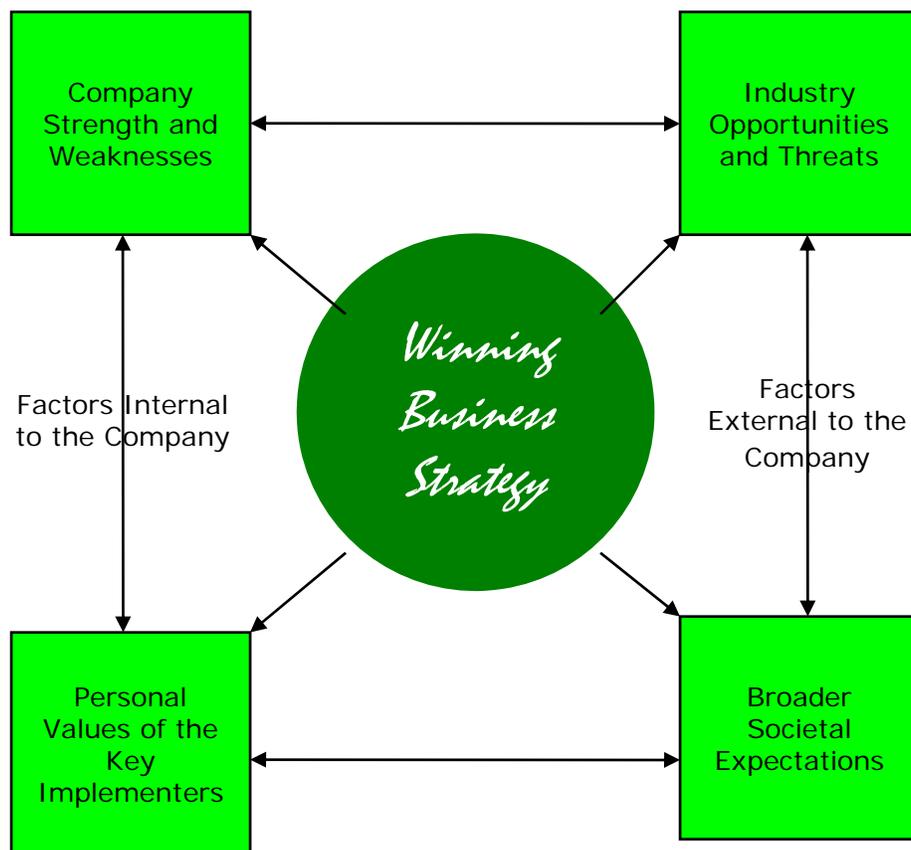
- ✓ What is your Vision of the future for your company?
- ✓ How will you compete broadly in the categories you have chosen to build the business?
- ✓ What are the sales, market share and profitability goals for next 3-5 years?
- ✓ What product and service line will you have?
- ✓ Which markets and customers will you target to build your business?
- ✓ How will you generate the demand for your products and services?
- ✓ How will you sell and distribute your products and services?
- ✓ How will you purchase the materials and manufacture your products and services
- ✓ How will you get the right people and get best out of them?
- ✓ How will you develop the new products and services?
- ✓ How will you finance your business and exercise management control?

What are the things you should based your Business Strategy on?

At the broadest level *Winning Business Strategy* formulation involves the consideration of four key factors that determine the extent you can be successful

- Company Strengths and Weaknesses are your assets and skills relative to the competitors including financial resources, technology posture, brand identification etc.
- The personal values of an organization are the motivations and needs of the key executives and other personnel who will implement the chosen strategy
- Strength & Weaknesses combined with Values determine the internal limits of the *Winning Strategy* you can successfully adopt
- The external limits are determined by the industry and broader environment
- Industry Opportunity and Threats define the competitive environment with its attendant risks and potential rewards
- Societal Expectations reflect the impact on the company of such things as government policy, social concerns, evolving mores etc

These four factors must be considered before you develop a realistic and implementable *Winning Business Strategy*

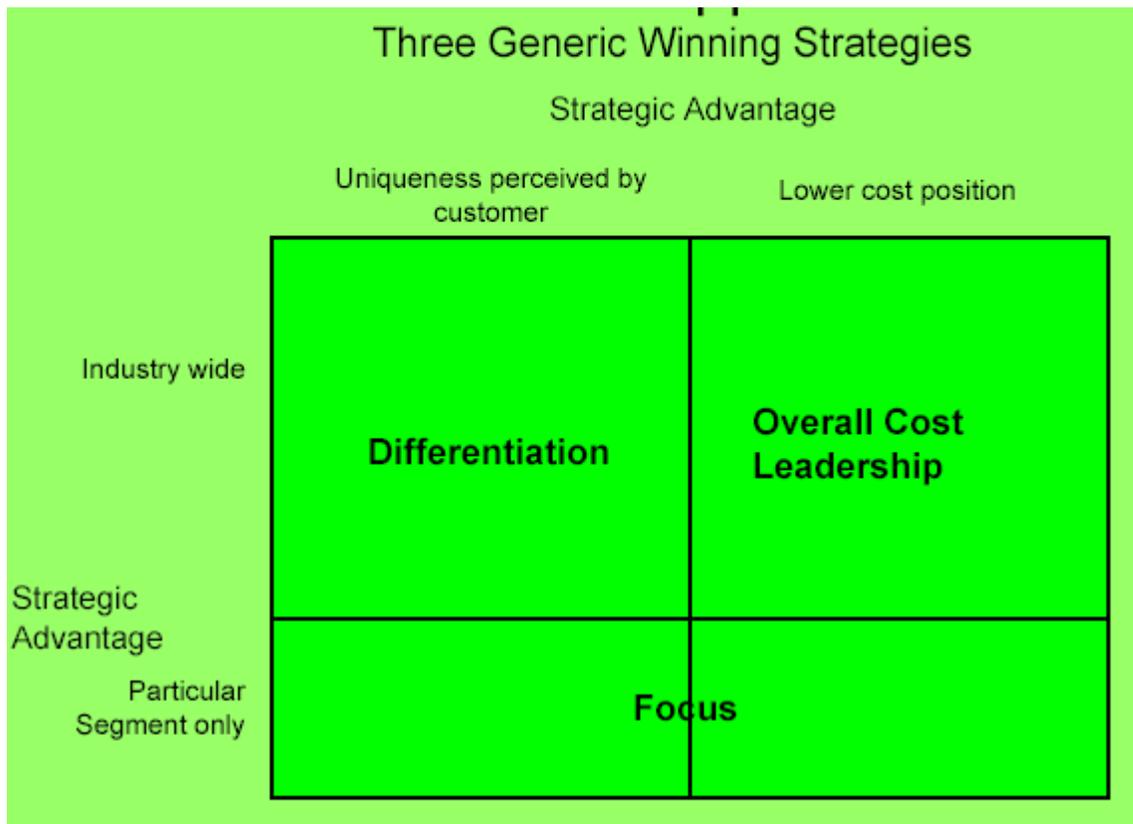


What are the generic options for the Business Strategy?

There are three generic strategies that can make you win over other firms in the industry

- **Overall Cost Leadership**
 - Aim to achieve low cost position relative to your competitors in the industry
 - Requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in all functional areas
- **Differentiation**
 - Offering products and services that are perceived unique industry wide through design, brand image, technology, features, customer service, dealer network etc
- **Focus**
 - Focuses on a particular buyer group, segment of product line, or geographical market in achieving differentiation or cost leadership or both

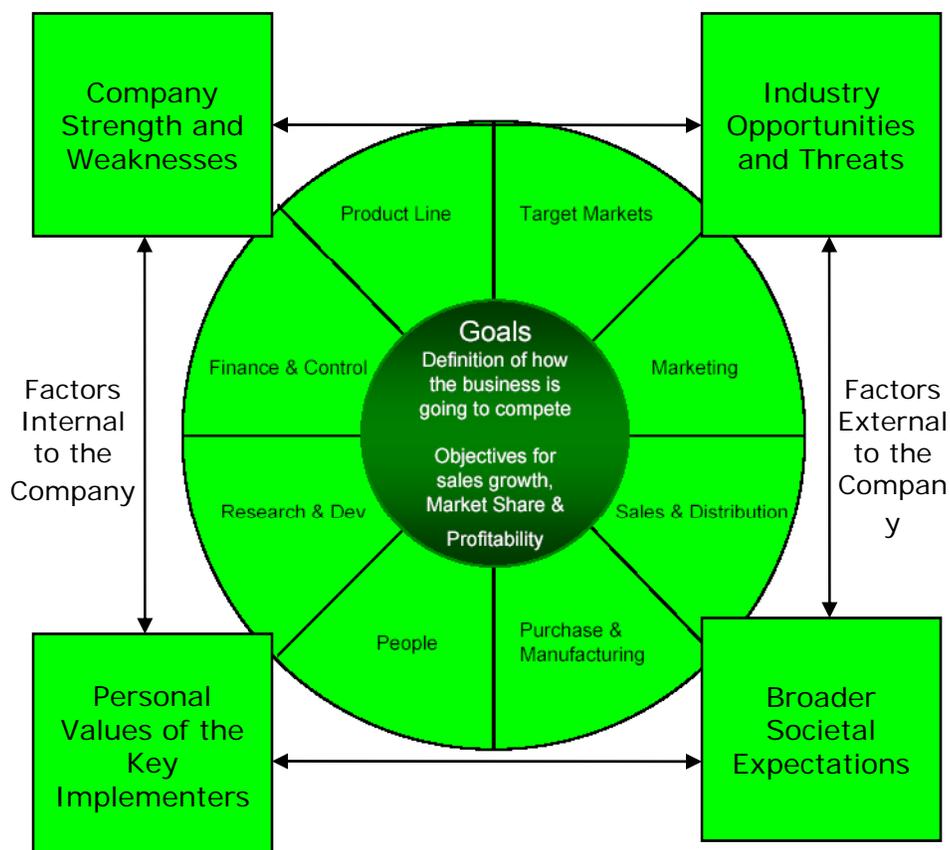
These generic strategies become the basis of developing other elements of the Winning Business Strategy like Goals and Functional Policies



How can you test if your Business Strategy is the Winning Business Strategy?

You can determine if your Business Strategy will really make you outperform your competitors by testing for the following

- **Internal Consistency**
 - Are your goals mutually achievable?
 - Do the key operating policies address the goals?
 - Do the key operating policies reinforce each other?
- **Environmental Fit**
 - Do the goals and polices exploit industry opportunities?
 - Do the goals and policies deal with industry threats to the degree possible with available resources?
 - Does the timing of the goals and polices reflect the ability of environment to absorb the actions?
 - Are the goals and policies responsive to broader societal concerns?
- **Resource Fit**
 - Do the goals and policies match the resources available to the company relative to competitors?
 - Does the timing of goals and policies reflect the organization’s ability to change?
- **Communication and Implementation**
 - Are the goals well understood by the key implementers?
 - Are the implementers committed these goals and policies?
 - Is there sufficient managerial capability for effective implementation?

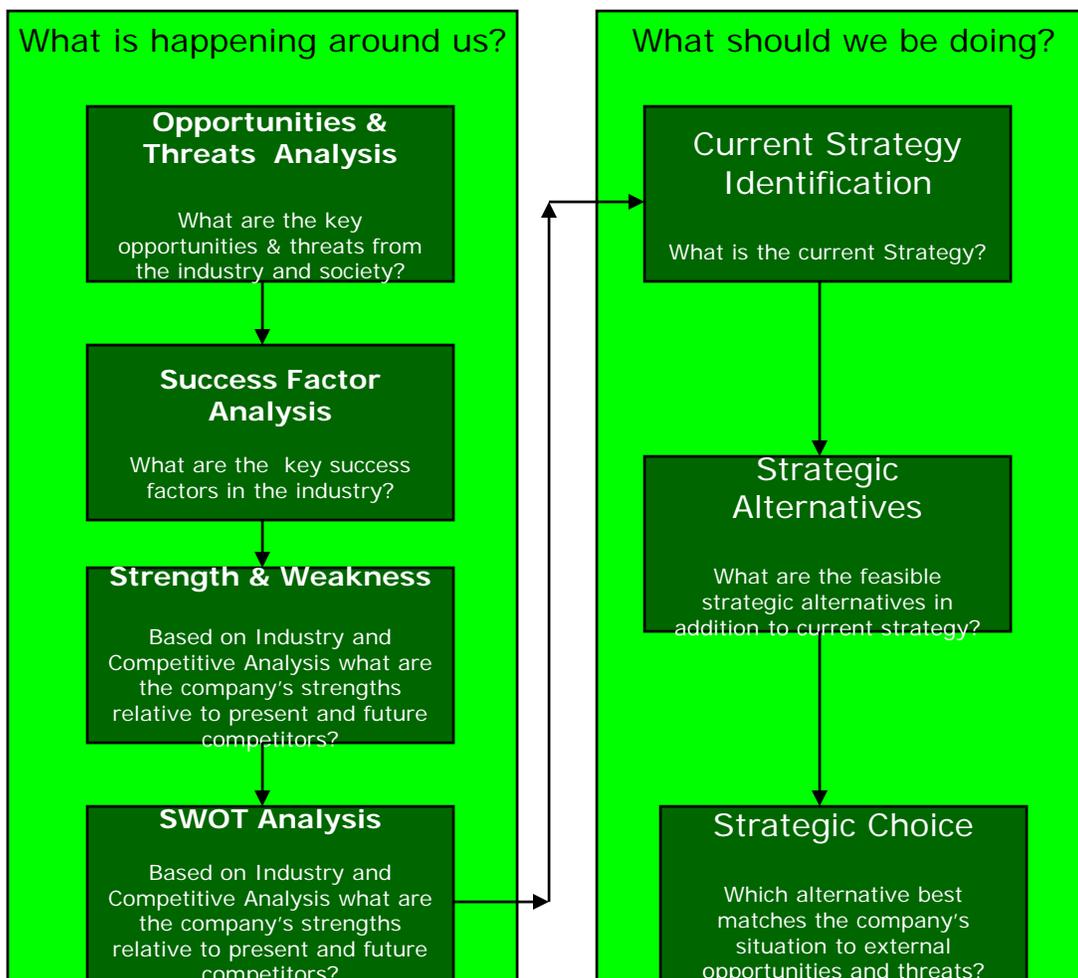


How to formulate the Winning Business Strategy?

The winning Business Strategy can be formulated in by asking two broad questions and following the specific steps outlined below

- **What is happening around us?**
 - Opportunities & Threats Analysis
 - Success Factor Analysis
 - Competitor Analysis
 - Societal Analysis
 - Strength & Weakness Analysis
- **What should we be doing?**
 - Current Strategy Identification
 - Identification of Strategic Alternatives
 - Choice of the Winning Strategy

Let us look in detail at each of these steps in the next few pages



Opportunity & Threats Analysis

This step of determining what is happening around is about determining the real opportunities and threats in the industry and society. You can determine them in two simple steps

Identification of your Opportunities & Threat

Classifying your opportunities & threats on level of impact and probability of occurrence

Identify your Opportunities & Threats by asking the following questions about each of the industry forces, society and government

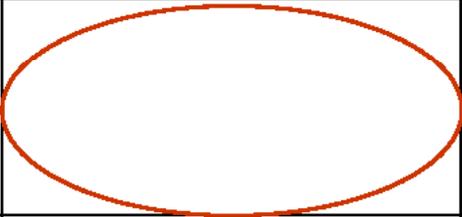
- Who are they?
- What are they doing and will do in future?
- What opportunities does it provide you?
- What threats does it pose for you?
- Select Opportunities & Threats with high probability of occurrence and impact on you to work on.

These answers provide you the list of Opportunities & Threats and you are now ready to move to identify the key success factor in your industry

Identifying your Opportunities & Threats

Forces	Who are they?	What are they doing or will do?	What opportunities does it provide you?	How can it threaten you?
Buyers				
Current Competitors				
Potential Entrants				
Suppliers				
Substitutes				
Societal				
Government				

Classify your Opportunities & Threats to find the ones with High Impact & Occurrence Probability

High Impact		
Low Impact		
	Low Occurrence Probability	High Occurrence Probability

Key Success Factor Analysis

This step of determining what is happening around is about determining the industry success factors

You can determine the Success Factors for your industry by a simple comparison of the companies that have succeeded in your industry vs. those who have not. The comparison needs to be done with respect to the relevant success factors listed by Michael Porter in his landmark book Competitive Strategy.

Key Success Factors Identification

	Succeeded	Not succeeded	Point of Difference
Who has			
What has			
Where have they			
When have they			
How much have they			

Generic Success Factors

<u>Threat of Entry related</u>	<u>Intensity of Rivalry related</u>	<u>Substitutes related</u>	<u>Buyers related</u>	<u>Suppliers related</u>
<ul style="list-style-type: none"> ➢Economies of Scale ➢Vertical Integration ➢Capital Requirements ➢Access to Distribution Channel ➢Proprietary Product Technology ➢Favorable Access to raw materials ➢Favorable locations ➢Government subsidies ➢Experience ➢Government Policy ➢Low pricing ➢Excess Cash ➢Commitment 	<ul style="list-style-type: none"> ➢Market Share ➢Industry Growth ➢Low Fixed Cost ➢Low incremental capacity Build up ➢Low exit barriers 	<ul style="list-style-type: none"> ➢Develop products with few substitutes ➢Deliver better value than substitutes 	<ul style="list-style-type: none"> ➢Development of many small buyers ➢Development of products and services that do not make a significant part of Buyer's total cost ➢Non standard or differentiated products ➢High cost of switching built in into products ➢Selection of buyer with high profitability ➢Selection of buyers with focus on outsourcing ➢Product vital for the buyers ➢Selection of less informed buyers 	<ul style="list-style-type: none"> ➢Many suppliers for key materials ➢Development of substitutes for key materials ➢Dominance of supplier's business ➢Backward integration ➢Usage of undifferentiated materials

Strength & Weakness Analysis

Now you can determine your Strengths & Weaknesses by asking the following questions

- What are the Key Success Factors in your industry?
- Who are your key competitors?
- How are you placed on each of the Key Success Factors as compared to your key competitors?
- Which of the Key Success Factors you are or can be better than your key competitors?
- Which of the Key Success Factors you are or can be worse than your key competitors?

These answers provide you your Strengths & Weakness and now you are ready to test your current Business Strategy and change it into A Winning Business Strategy

Strength & Weakness Analysis

Key Success Factors	Key Competitors' position	Your position	Strength or Weakness?

SWOT Analysis

The last step in determining what is around us to summarize the Strengths, Weaknesses, Opportunities & Threats (SWOT)

- List the Strengths and Weakness in the quadrant titled as Strength and Weakness respectively.
- While listing please ensure that your strengths are really the key success factor where are or can be better than your key competitors. Try avoiding the pitfall of listing the areas where you are better than your competitors but they are not critical for success in the industry. Try and also avoid listing the areas on which are really not better, you are or can only be equal to them
- Similarly ensure that the weakness are those where you are or can be significantly worse
- List the Opportunities with high probability of occurrence and impact the respective quadrant
- In addition to the opportunities and threats listed above, you should also identify the opportunities your strengths provide and threats your weaknesses pose.

This summary of SWOT now becomes the reference point to evaluate your current strategy, identify strategic alternatives and make a choice of Winning Business Strategy

SWOT Summary

<p><u>Strengths</u></p>	<p><u>Opportunities</u></p>
<p><u>Weaknesses</u></p>	<p><u>Threats</u></p>

Current Strategy Identification

Identify the Current Business Strategy by asking the following questions about your business

- What is your Vision for the future for your business?
- How do you compete broadly in the categories you have chosen to build the business?
- What are the sales, market share and profitability goals for next 3-5 years?
- What product and service line do you have?
- Which markets and customers are you targeting to build your business
- How do you generate the demand for your products and services?
- How do you sell and distribute your products and services?
- How do you purchase the materials and manufacture your products and services
- How do you get the right people and get best out of them?
- How do you develop the new products and services?
- How do you finance your business and exercise management control?

It is all about identifying how you do all the above today!

Current Strategy Identification

Business Strategy Dimension	What is being done now?
Vision and Overall Strategy	
Sales, Market Share & Profitability Goals	
Product Line	
Target Market	
Marketing	
Sales & Distribution	
Purchase & Manufacturing	
People	
Research & Development	
Finance & Control	

Current Strategy Evaluation and Alternatives Identification

You can now begin to evaluate each dimension of the current strategy by applying the test of consistency listed again below. Ask simultaneously what else could you do that answers them better. That will generate your strategic alternatives

Internal Consistency

- Are your goals mutually achievable?
- Do the key operating policies address the goals?
- Do the key operating policies reinforce each other?

Environmental Fit

- Do the goals and polices exploit industry opportunities?
- Do the goals and polices deal with industry threats to the degree possible with available resources?
- Does the timing of the goals and polices reflect the ability of environment to absorb the actions?
- Are the goals and policies responsive to broader societal concerns?

Resource Fit

- Do the goals and polices match the resources available to the company relative to competitors?
- Does the timing of goals and polices reflect the organization's ability to change?

Communication and Implementation

- Are the goals well understood by the key implementers?
- Are the implementers committed these goals and policies?
- Is there sufficient managerial capability for effective implementation?

Current Strategy Evaluation and Choice

Business Strategy Dimension	What is being done now?	Does it make sense to continue doing it? What else can we do?	What should we do?
Vision and Overall Strategy			
Sales, Market Share & Profitability Goals			
Product Line			
Target Market			
Marketing			
Sales & Distribution			
Purchase & Manufacturing			
People			
Research & Development			
Finance & Control			

Current Strategy Evaluation and Alternatives Identification

You are now in the final stage of Formulation the Winning Business Strategy by make a choice of each of these dimensions.

- ✓ Write the Vision for the future for your business that maximizes your opportunities while being anchored to your strengths
- ✓ State which the overall generic strategic choice between cost leadership, differentiation and or focus based on your strengths and weaknesses
- ✓ Restate your sales, market share and profitability goals for next 3-5 years
- ✓ Restate your product /service and target customer scope that maximizes your opportunities
- ✓ Which markets and customers will you target to build your business
- ✓ State how you will generate the demand most effectively and efficiently to achieve the sales, market share and profitability goals
- ✓ State how will you sell and distribute your products and services most effectively and efficiently
- ✓ State how will you purchase the materials and manufacture your products and services to meet the sales requirements on time at an agreed quality with least cost
- ✓ Define the profile of people you will need to execute the above strategies?
- ✓ State how will develop the new products and services to achieve the targeted product and market scope?
- ✓ Determine and define the finance your business will need to fund these plans and management control that will be exercised

You are now ready with your Winning Business Strategy. Please remember that you will need to review the strategy at least annually and continuously tweak it to ensure it remains the Winning Business Strategy

Current Strategy Evaluation and Choice

Business Strategy Dimension	What is being done now?	Does it make sense to continue doing it? What else can we do?	What should we do?
Vision and Overall Strategy			
Sales, Market Share & Profitability Goals			
Product Line			
Target Market			
Marketing			
Sales & Distribution			
Purchase & Manufacturing			
People			
Research & Development			
Finance & Control			