STRATEGY

A Developmental Methodology

By Tracy Crawford

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OBJECTIVE & STRUCTURE

Objective

My objective in this paper is to layout a straightforward methodology – a process - for developing, implementing and controlling strategy. The approach is based on tools developed by academics and business people over many decades and proven repeatedly in real-world applications in business and many other types of organizations.

Overlaying the proven tools is a hierarchical system defining how and in what order they are applied and extension of the tools to create actionable outcomes.

Depending upon the depth and intensity with which the tools are applied, the number of actionable outcomes can be in the hundreds or thousands. A list of hundreds or thousands of actions is of course unwieldy and impractical, so I have additionally applied a simple quantified system for ranking and prioritizing actions so that the most important and relevant activities emerge with priority and are categorized under specific strategic objectives.

There have been in the last 60 years or so quite a significant number of formal publications, books and writings on strategy. These proposals are often quite erroneously viewed as competitive or mutually exclusive when in point of fact threads of tremendous synergy can be observed running through the works. Confrontations in concept are actually rare and, when present, are straightforward and easy to

assess.
This methodology draws exclusively on published accounts and proposals but seeks to coalesce the strengths and insights of each into an executable, straightforward approach. I additionally seek to drive high-level strategic conclusions that a team may reach in their strategy development work down to detailed action plans affecting all or most of the day-to-day activities conducted by a firm.

I am not aware of any documented detailed methodology that is appropriate for all possible scenarios and likewise am sure that this methodology will not be ideal for every possible scenario. I do feel however that this approach is highly useful for the vast majority of situations. In most cases it can be executed without deviation to excellent results. In a few cases it may serve as a useful foundational approach upon which deviations may be applied in order to achieve a final result.

Structure

This paper is structured to provide an introduction and overview including historical highlights of strategy, followed by a strategy primer covering a variety of the most relevant subjects. The strategy development methodology follows as the final section.

INTRODUCTION

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Strategy is the art and science of creating success. But "success" can be arbitrarily defined within certain circumstances and may or may not be realistic; therefore it is better to think of strategy as the foundational tool for "optimizing performance."

Strategy may be applied to any endeavor. Strategy is most often associated with large businesses, but any organization and any individual seeking to accomplish a mission may make good use of strategy.

Most of the available literature and accessible significant research has been developed in the context of business performance optimization, thus much of the terminology derives from the world of business. I'll use this terminology in this paper since it is reasonably well known and, in some cases, well understood by many people, but will expand on the meanings to create more applicability to situations that may be other than for-profit-business-oriented.

The Power of "No"

At core, strategy is all about making choices. Making choices is among the first steps toward implementing strategy after a strategy has been developed. Most important (and most difficult for many organizations and individuals) is deciding what to not do.

Most organizations are, at any given point in time, doing far too many different things not well aligned to strategic goals or even not related at all to strategic goals. Organizations are often large, spread out geographically, complex, have individuals wishing to pursue certain directions, and are difficult to control. And it likewise seems a human trait to spread out one's activities over too many objectives than is advisable to achieve optimum performance.

For strategy to be successful, focus is the critical first-order principle. As an example, think of world-class athletes. They are most often singular in focus.

World-class swimmers focus on building aerobic endurance, stroke-strength, mastering form, eating to promote fitness, and resting to support recovery and increased physical capability. World-class swimmers are unlikely to be engaged in a wide array of activities that do not support their goal of being the best swimmer they can be. It is precisely the singularity of focus that is at the root of world-class athletes' success.

The forces of divergence are, however, indeed powerful. Most people or teams engaging a strategy development process are tempted to dream of a precisely developed strategy with tightly focused efforts aimed exclusively and at all times on achieving strategic objectives – a well-oiled strategic machine firing on all cylinders, 24 hours a day, top-to-bottom throughout the organization across all geographies. But while this result can be achieved, it is most helpful for most people and organizations in the beginning to focus on the "power of no," because the converse is quite often the greatest enemy of strategy.

This is because every activity engaged means another activity not engaged. Every minute in which an activity is engaged that is not supportive of strategic objectives is a minute in which strategic activity, energy and focus is lost.

Our swimmer says "no" to a thousand distractions so he can say "yes" to training, developing form, eating and resting.

Spending time getting oneself and organization members into the mindset of "no," can therefore be very useful for setting the tone and developing the discipline necessary to execute strategy. Every proposal should have an automatic "no" as the default answer until such time as the proposal is couched and justified in terms of its fit to strategic objectives.

Only after an organization becomes, by default, a "no" organization can it become a powerful "yes" organization whose approved activities are fully and always supportive of strategy. Only under these circumstances can an organization achieve great goals and, by performance, become great indeed.

Choice is where to apply limited resources for best results. Choice is how to apply limited resources for best results. But first, choice is where to not apply limited resources – again, to achieve best results.

A thousand "no's" create the space for a few "yes's" to thrive.

Art and Science

Strategy is an iterative balancing of art and science. I refer to the art of strategy as being related to the softer, more creative aspects. It is the insights, ideas, and creativity that flow into and emerge from any strategic exercise. The art of strategy usually comes in small pieces from the people on the strategy development team.

The science of strategy comes from both the structured methodology for developing, implementing and controlling strategy and from the analytical tools deployed.

Systemic strategic methodologies have been well known for a long time but only to selected few individuals (working mostly for large consultancies), and there are few easily accessible published accounts of full methodologies that can be applied in a straightforward manner to developing, implementing and controlling strategy.

The analytical tools I reference, on the other hand, are "stock" – that is they are well documented in literature and well proven by extensive academic research and real-world application in a wide array of environments.

Strategy is not magic. It is on the contrary quite straightforward and can be accomplished by virtually anyone.

STRATEGY TYPOLOGY

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History

Modern strategic management theory dates to about the 1950's when researchers, primarily in the US, significantly began contributing to the pool of literature based on serious study of strategic management. It is not my purpose to document the history of strategy theory, but let us at least note a few of the standout contributors as the methodology proposed herein traces its roots to these contributors and in many was coalesces many of their approaches and elements.

Alfred Chandler noted the importance of all managerial activity being coordinated and aligned under a comprehensive corporate strategy.

Igor Ansoff developed systems for analyzing market penetration, product development, market expansion, developed a set of terminology used by strategists and developed systems for evaluating different corporate structures such as horizontal integration, vertical integration and diversification models.

Philip Selznick proposed the concept of matching a company's internal factors with external factors observable in the business and regulatory environment. This concept is the foundation of the indispensable SWOT (Strengths, Weaknesses, Opportunities, Threats) analytical tool credited to Albert Humphrey and others.

Peter Drucker proposed that corporations should be run according to the goal of achieving certain objectives – referred to as Management by Objective (MBO) and that this system should run through all levels, functions and activities within a corporation.

CK Prahalad and Gary Hamel published significantly on the subject of the core competence of corporations as a source of competitive advantage.

Michael Porter proposed two generic, mutually exclusive strategy types: cost leadership and differentiation, with a potential modification of either referred to as focus in which a company chooses to compete in a mass market or in a focused, tightly defined market segment. Porter subsequently argued that Operational Effectiveness, a significant element of cost leadership, could not in fact be a strategy as it is too easily copied.

Porter also suggested an approach based on a system of interrelated activities called system of activities to create competitive advantage.

W. Chan Kim and Renée Mauborgne, in their book Blue Ocean Strategy (2005) argue that under certain circumstances companies can achieve competitive advantage by pursuing both a cost leadership approach and simultaneously a differentiation approach. They believe this approach is most feasible when companies can create new demand in uncontested market spaces (blue oceans) rather than competing head-to-head with established firms. This premise was first suggested by Charles W. L. Hill in 1988 who proposed that Porter's mutual exclusivity of cost leadership and differentiation approaches was flawed and that companies in certain circumstances could accomplish both differentiation and low cost suggesting that differentiation may in fact be a source of low cost.

There are currently two broad schools of thought related to strategy that are worthy of special attention. Core Competency and System of Activities. When companies are thinking about the creation of differentiated offers to meets needs of specific segments, they need to think about the approach that allows them to best create the offer and to gain competitive advantage.

Core Competency

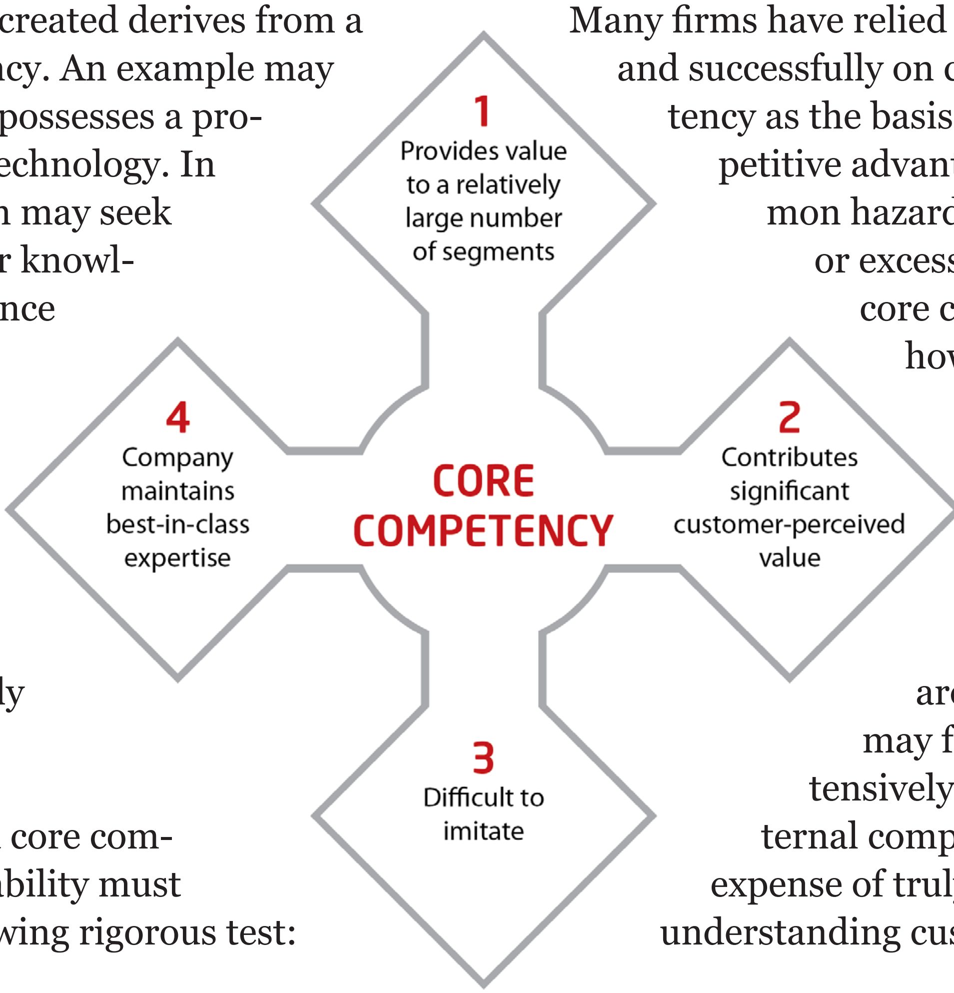
Core Competency strategy typology was first proposed by CK Prahalad, and Gary Hamel around 1990. The foundation of core competency strategy is that:

- Competencies are the source of user-value
- Competencies are difficult to develop

and thus difficult for competitors to emulate

- Competencies are macro-level advanced capabilities that can serve a wide range of user needs

The logic of core competency strategy is that the value created derives from a core competency. An example may be a firm who possesses a proprietary new technology. In this case a firm may seek to protect their knowledge and advance their skill in application of the technology to levels that a competitor may not be able to easily replicate.



To qualify as a core competency a capability must meet the following rigorous test:

- Provides value to a relatively large number of segments

- Contributes significant customer-perceived value

- Difficult to imitate

- Company maintains best-in-class expertise

As may be imagined, most companies maintain very few true core competencies.

Many firms have relied extensively and successfully on core competency as the basis of their competitive advantage. A common hazard of exclusive or excessive focus on core competency however is that alternative approaches or substitutes may develop. Another hazard is that firms may focus too extensively on their internal competencies at the expense of truly and deeply understanding customers' needs.

System of Activities

Michael Porter, in his What is Strategy? paper, published in Harvard Business Review in 1996 argues that complex interrelated systems of activities create more competitive advantage and are more sustainable than individual activities or individual core competencies. The activities referenced in such a system may be referred to as capabilities as they rarely meet the rigorous requirements to qualify as a core competency.

Systems of activities often have very high behind-the-scenes complexity. Porter argues that it is the complexity itself of the systems of activities that contributes to competitive advantage by allowing firms to construct offers that are indeed more difficult to replicate. Complexity also often means that offers can be more finely tuned to precisely meet needs more fully than competitive offers.

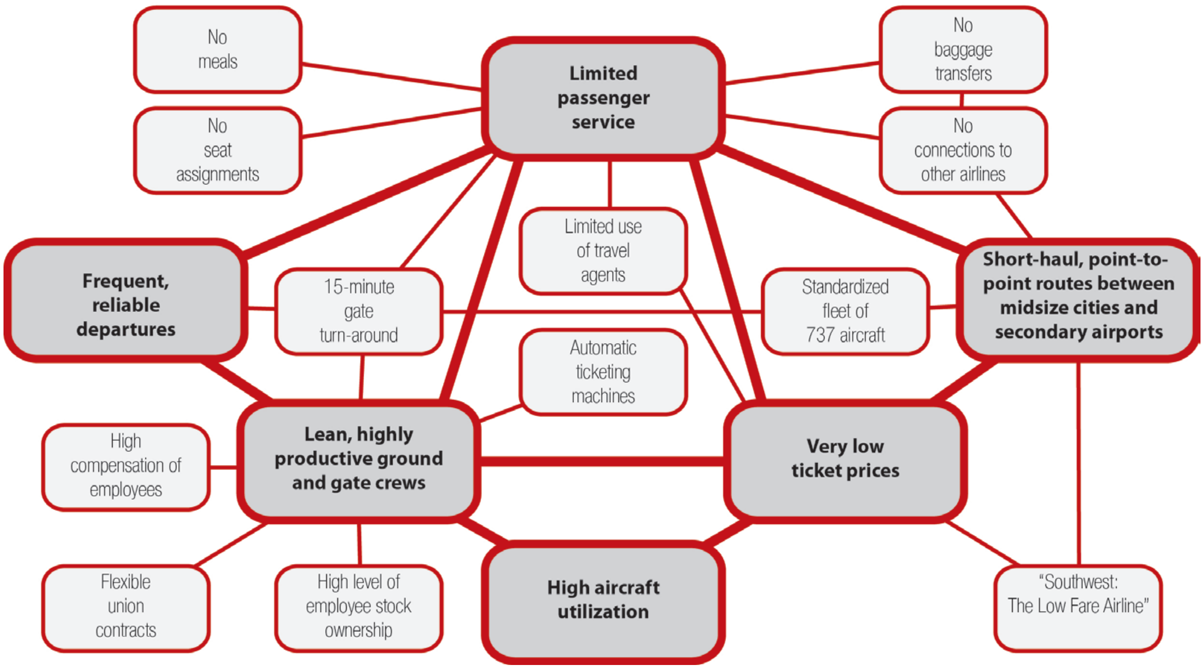
Indeed it has been argued that while core competencies are difficult to copy, patient, persistent, determined, and well-funded competitors can in fact, copy them. Additionally "replacement" competencies increasingly emerge to threaten older established core competencies. Sony, once the unchallenged leader in CRT-based televisions, is an example that comes to mind that was summarily dispatched by several emerging flat-screen technologies.

Likewise, Southwest Airlines has long been referenced as the poster-child of system of activities strategy. But alas today we see an array of knock-off low-cost point-to-point carriers creating plenty of concern for Southwest Airlines and giving lie to any notion that system of activities is a panacea, especially in the face of new market entrants unencumbered with legacy customer expectations and unwieldy corporate structures.

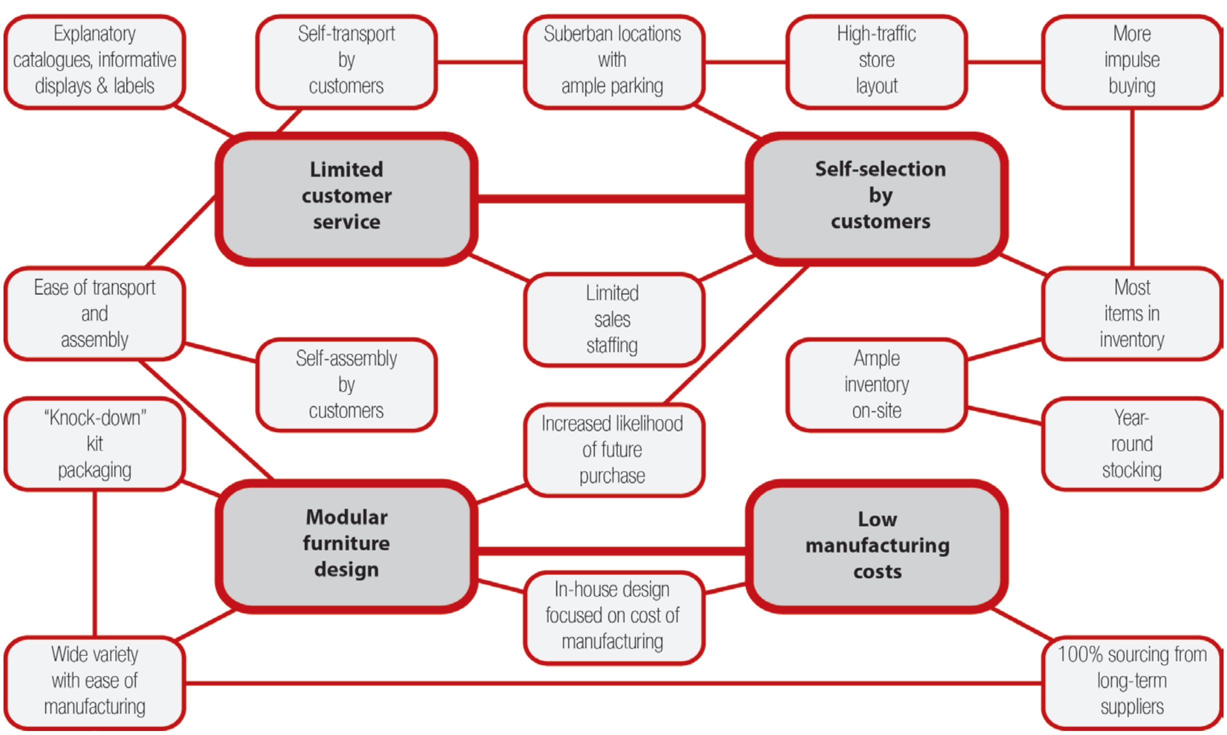
The approaches of core competency and system of activities are not, in my view, exclusionary at all. In fact both remain powerful concepts that I feel have synergies and especially so in combination with other powerful strategic approaches.

For reference the system of activities maps for Southwest airlines and IKEA furniture company are shown on the following page for reference.

Southwest Airlines System of Activities



IKEA System of Activities



Strategy Highlights

Ellen-Earle Chaffee in 1985 created a shortlist of the highlights of strategy that had been created by the end of the 1970's. Drawing from her list and adding the most recent developments we arrive at the following key and generally widely accepted points:

- Organizations (changeable) usually must adapt to their business environments (largely unchangeable by an individual firm).
- In contrast to the point above, blue ocean approach holds that in some cases corporations relying on highly innovative cultures can create new demand.
- SWOT analysis allows organizations to understand the fit between their internal company environment and the external business environment.
- Gap analysis is a concept that characterizes gaps between existing capability and capability required to be successful in a particular environment so that companies may develop activities to close critical gaps.
- Segmentation is a powerful concept for subdividing markets into manageable pieces allowing for both analysis and focused efforts creating opportunity for firms to create unbeatable (within the segment) competitive advantage.
- Effective strategy requires acknowledgement that change is steady, requiring strategies to be adapted accordingly often involving unique non-repetitive responses.
- Differentiation seeks to create more highly valued offers and is a central tenant of most strategies.
- All strategies involve tradeoffs. In fact the more tradeoffs made, quite often the stronger is the resulting strategy. All activities have the opportunity cost of other activities that must be neglected or shortchanged. Deciding what not to do is probably more important than deciding what to do.
- Strategy works best when it impacts an entire organization by providing general direction and/or detailed plans that must be implemented by multiple functions.
- Strategy involves strategy development as well as implementation.
- Strategy may be highly planned (planning strategy approach) or only partially planned initially (learning strategy approach) with adaptations or major changes incorporated as experience and learning dictate.
- Strategy may be implemented at multiple levels – corporate, divisional, business unit, market, region etc.

- Strategy development includes creative/conceptual activities as well as analytical activities.
- Portfolio analysis allows construction of desirable and focused portfolios that can maximize profitability and reduce dispersion of effort.
- The concept of strategic objectives provides clear goals that can be followed by an entire organization.
- Brand positioning refers to how the brand is perceived by customers or potential customers. Brand position may have significant value (if well constructed and managed over time), and this value (referred to as Brand Value) is a significant portion of many corporate financial valuations.
- The value of a particular strategy declines over time due to changes within the firm, changes within the market and due to competitive activity.

THE GOAL OF STRATEGY

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The goal of strategy as I've stated is "optimizing performance."

Let's start in the business world where the source of optimized performance is widely known as "competitive advantage" then broaden the definition of competitive advantage to cover other, "non-business" endeavors.

In the business world we always drive strategy to sustainable superior "financial" performance. Sustainable superior financial performance, at the highest level, is related to four factors: sustainability, volume, cost and price. The strategic math is simple:

High Price – Low Cost = Profitability

Volume x Profitability = Superior Financial Performance

Sustainability x Superior Financial Performance = Sustainable Superior Financial Performance

So (in the business world) we only need to concern ourselves with four factors:

- Cost
- Price
- Volume
- Continuity

Perspective - Cost, Price, Volume, Continuity

Broadening the definition of these four factors so that we may apply these business-derived principles to other endeavors as well and also putting these factors into relative perspective we can see the following:

Cost

First, let's equate cost to efficiency so that the concept can be broadly applied. Efficiency is affected by complex interactions of factors like capitalization, automation, smart use of labor, IT and physical infrastructure, flow and pull, visual systems, communication, collaboration, speed of problem solving and speed of improvement, location, logistics, cost of raw-materials, etc. Most people know this, and it is not the main point of this paper. If you don't know these things or would like a little food for thought now and again, start here: http://www.evolvingexcellence.com/. You can subscribe and learn a little every day.

Some will surely disagree, but I am not going to treat efficiency as a major strategic subject. Efficiency (cost), in my personal view, is a critically important tactical day-to-day activity – sort of like turning on the lights in the morning. In some cases where efficiency is a glaring weakness or otherwise success-critical factor requiring special attention, it may be treated as a supporting strategic element but in no case should become a pillar of strategy.

My reason (and the reason shared by many strategists) is that efficiency, while being highly involved, is straightforward to understand and to replicate. Indeed Porter states categorically that, "Operational effectiveness is not strategy."

You can hire consultants to teach you about cost reduction and efficiency improvement. LEAN, 6 Sigma, Continuous Improvement, Muda, Kaizen, TPS (the Toyota Production System), 5S, 6S, etc. are all cost-reduction/efficiency-enhancing disciplines. They are very important. Most companies are well advised to engage them. Consultants will teach you good things about efficiency if your ears and eyes are open. You will pay consultants very well to do this, and they are well worth the money.

But your competitors pay them as well. Consultants will learn good things while teaching you good things. They (or others like them) will sell what they know to your competitors. Efficiency can therefore, you see, be replicated.

Efficiency also has a limit. The limit you may approach for the cost of most things is zero. But the closer to zero one approaches; the more difficult are the gains.

We can think of efficiency as a race with our competitors. We are usually either a step ahead or a step behind, but the differential is usually quite small in both directions, relatively easy to gain or lose, and certainly not the basis of sustainable competitive advantage in most cases.

Efficiency (low cost) is necessary but not sufficient.

Price

Price equates to value. Whether we speak of business or non-business endeavors, value is a much better word to use. Value is, from a strategic perspective, a much richer subject than efficiency (or cost) and is the underlying reason for purchase decisions.

Value derives from a much more complex bundle of attributes than most people initially realize. Pulling from our list of differentiable attributes shown later in our methodology we can see factors such as:

Identifying and constructing this bundle that has true value to the market and that our organizations can truly best and sustainably deliver to a carefully targeted group is a concept at the heart of strategy.

Volume

Volume may be replaced with the word reach and is self-explanatory. Reach is best treated in most scenarios as a largely tactical activity much in the way we treat efficiency improvements except that high value and high efficiency often translate somewhat automatically into increased reach. If the value proposition (discussed above) has been properly constructed and is ready to be delivered, increasing reach is usually a straightforward activity related to increasing sales capacity, developing distribution channels and so on.

In the case of non-business endeavors, increasing reach may be related to recruiting or hiring product/service delivery staff,

Product	Service	Personnel	Image
Specific Features	Delivery	Competence	Symbol
Specific Performance	Ease of Installation	Courtesy	Media
Conformance	Warranty	Credibility	Atmosphere
Quality	Repair Service	Reliability	Events
Durability	Training Support	Responsiveness	
Reliability	Consulting	Communications	
Reparability	Technical Support	Appearance	
Style and Design			

training and so on.

Increasing volume is generally to be treated as tactical or supporting-strategic but normally not as a strategic pillar.

Continuity

Continuity may be replaced with sustainability and is usually tightly tied to value mentioned above. Delivering value requires the patient and steady development of competency. Focusing on maintaining and expanding the competencies underlying the value proposition usually meets much of the sustainability requirement.

We are in a period of tremendous flux, particularly socially and technologically that spills over into the business world quite significantly. A great strategy today may not maintain greatness for long into the future. Thus, relative to strategy, frequent review, especially with a creative and innovative approach, is likely critical to sustainability.

Summary

Using our more generic terms we can see the following four factors as leading to superior performance:

1. Value
2. Efficiency
3. Reach
4. Sustainability (including creativity and innovation)

In many ways strategy is becoming the best we can become in delivering an ideal value-bundle to a carefully selected target. Becoming the best entails:

- Carefully identifying the value attributes that are most desired
- Eliminating or minimizing focus on the less important value-attributes
- Eliminating or maintaining threshold-only capability in lower-importance value-attributes
- Maintaining efficiency and reach improvement capability at appropriate levels
- Cultivating creativity and innovation

STRATEGIC ELEMENTS

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In this section we'll discuss a range of strategic concepts and tools that set the stage for and/or are addressed in the methodology.

Strategic Objectives

Most modern strategy development processes (this one included) rely heavily on the goal of creating a set of strategic objectives that become the critical summary driving actions to implement strategy.

Throughout this process of strategy development and at nearly every stage findings are converted to actionable items. Since the volume of potential action items is large and often duplicative, duplicates or near duplicates are unified and each item is rated using a system to measure the value and importance of the action item. I refer to the raw volume of items as drivers – meaning that they have the potential to become key drivers that are used to create strategic objectives and may later become parts of implementation plans and tracked by the control plan.

Planning Strategy vs. Learning Strategy

Two common approaches to development and implementation of strategy are planning and learning.

Planning strategy is used where firms have access to high quality information, data and/or expertise (most commonly in the form of their own experienced staffs). In planning strategy, development intensity is high and may be quite involved as the firm evaluates large quantities of valuable data and information. During implementation of planning strategy, the need for frequent or substantial adaptation is reduced as the firm has had the opportunity and time for detailed analysis and has normally reached sound and powerful conclusions.

The learning strategy approach is used where firms do not have access to lots of data, information and/or expertise. In this approach, strategy development proceeds rather more rapidly but with the understanding that conclusions may not be as trustworthy or that significant information is missing from the analysis and development process. Learning strategy requires frequent reassessments and, quite often, substantial adjustments as the strategy is essentially being developed "on-the-fly." Learning strategy will ideally follow the same rigorous structure of a well-executed planning strategy so that the proper framework is established but may be executed with less intensity at each step.

The planning approach is generally preferred where companies have access to information, data and expertise, but both approaches (and approaches in between) have been used successfully.

Change, Complexity and Creativity

IBM recently (2010 completed a study of approximately 1500 CEO's from a range of countries around the world. Three key findings of this study were:

1. Complexity is increasing
2. Most firms are not well armed to adapt to this increasing complexity
3. Creativity is the leading attribute CEO's feel they need in executive leadership staff – both relative to strategic planning and to general strategic thinking

Max McKeown, an accomplished writer, researcher and consultant working with Warwick Business School warns that a particular rigid prescription for strategy may be dangerous and that a mix of creativity and analysis characterize strategy development.

Change is indeed always present and, intuitively, seems to be escalating.

Thus, while I advocate for a systematic approach based on proven tools, I likewise warn against overly rigid thinking. What seems manifestly clear is that what may work extremely well at present, may not work nearly as well in the future.

I encourage all strategy development efforts be approached with:

1. A rigorous (but not rigid) process
2. Significant space and encouragement for creativity
3. A proper level of analysis

Market Share Considerations

In the 1960's a study entitled Profit Impact of Marketing Strategy (PIMS) was started by Sidney Schoeffler for GE in an effort to understand factors causing some business units to be more profitable than others. PIMS evolved into a longitudinal study and was expanded outside of GE to include over 200 companies and nearly 4,000 business units (presently continuing).

PIMS produced of course many findings, and a significant one that began emerging early was the impact of market share on profitability. The study found that, somewhat paradoxically, firms with the largest market share experienced high profitability, as did firms with the lowest market share, while firms in the middle suffered. Further analysis led researchers to conclude that high share firms may benefit from larger scale economies as well as higher experience learning curve effects. Low share firms, on the other hand, may benefit from offering only highly differentiated specialty products or services or from "cherry-picking" only ideal smaller opportunities. Middle share firms suffered from lower expertise and lower scale economies while trying to match full-service offers of larger share competitors.

These findings in part contributed to increased interest in the 1970's in techniques to increase market share such as mergers and acquisitions.

Many firms concluded as a result of these findings that they must attain position one or two in terms of market share, to become a niche supplier only or to consider exiting a segment.

Many firms pursuing an M&A strategy met with marginal success (in terms of profitability) likely due to not understanding fully the challenges of integration, resolving cultural conflicts, streamlining the merged or acquired unit, obtaining true cost reductions (often erroneously referred to as "synergies"), rationalizing overlapping product lines (often resisted by customers not wishing to be forced to themselves change and bear costs of change), finding the scale economies (due to differing processes and capital equipment, differing bills of material etc.)

While the findings relative to market share are undoubtedly valid, a deeper look indicates that the method by which market share is attained is important and that, if M&A is to be the method, firms need to account for the challenges, costs and time required to achieve true integration.

Vision, Values & Beliefs, Mission

Vision, Values & Beliefs, and Mission are generally well-understood strategic foundational concepts and thus don't require a lot of elaboration here.

Simple common definitions are:

Vision

A description of future conditions we wish to create or help create over very long periods of time.

Values & Beliefs

Guiding concepts, values, beliefs and principles of the organization.

Mission

A specific goal that is planned to be accomplished. Many companies treat Mission as a relatively near-term (5 years for example) specific goal that the organization sets about to accomplish.

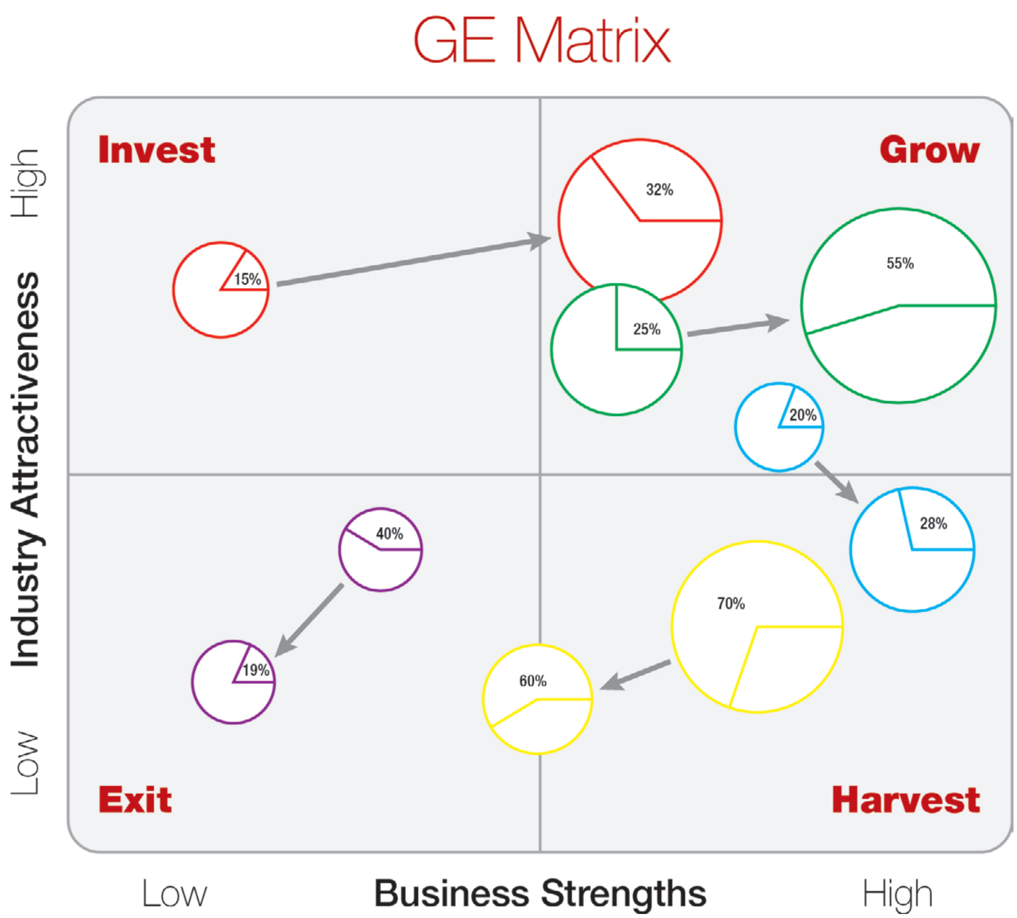
Segmentation, Portfolio Evaluation and Targeting

Segmentation

Clearly no company can provide all goods and services to the entire market. The concept of segmentation was thus developed to allow firms to divide the global market into manageable pieces allowing for detailed analysis and development of focused marketing approaches. By defining a portion of the market companies are in better position to conduct detailed research into the segment's overall attractiveness (what is called industry attractiveness) and how those segments' needs fit with existing business strengths.

Portfolio Evaluation

A key concept in all strategy is that firms should develop product/service portfolios that create a mix of profitability, growth and a degree of "future-proofing." For the sake of discussion and ease of analysis we may think of the portfolio elements as market segments (or industries) with an assumed or known underlying product/service need required (though the exact product/service may also be further analyzed if required).



The GE Matrix (also sometimes referred to as the Directional Policy Matrix) was developed by McKinsey for GE in the 1970's and is an excellent tool for portfolio evaluation.

Segments may be analyzed for any number of factors relating to the overall attractiveness of the segment including factors such as profitability (in the industry at large), growth and so on. Industry attractiveness should be viewed as non-changeable by any one firm but rather represent the overall dynamics at play in the industry or segment.

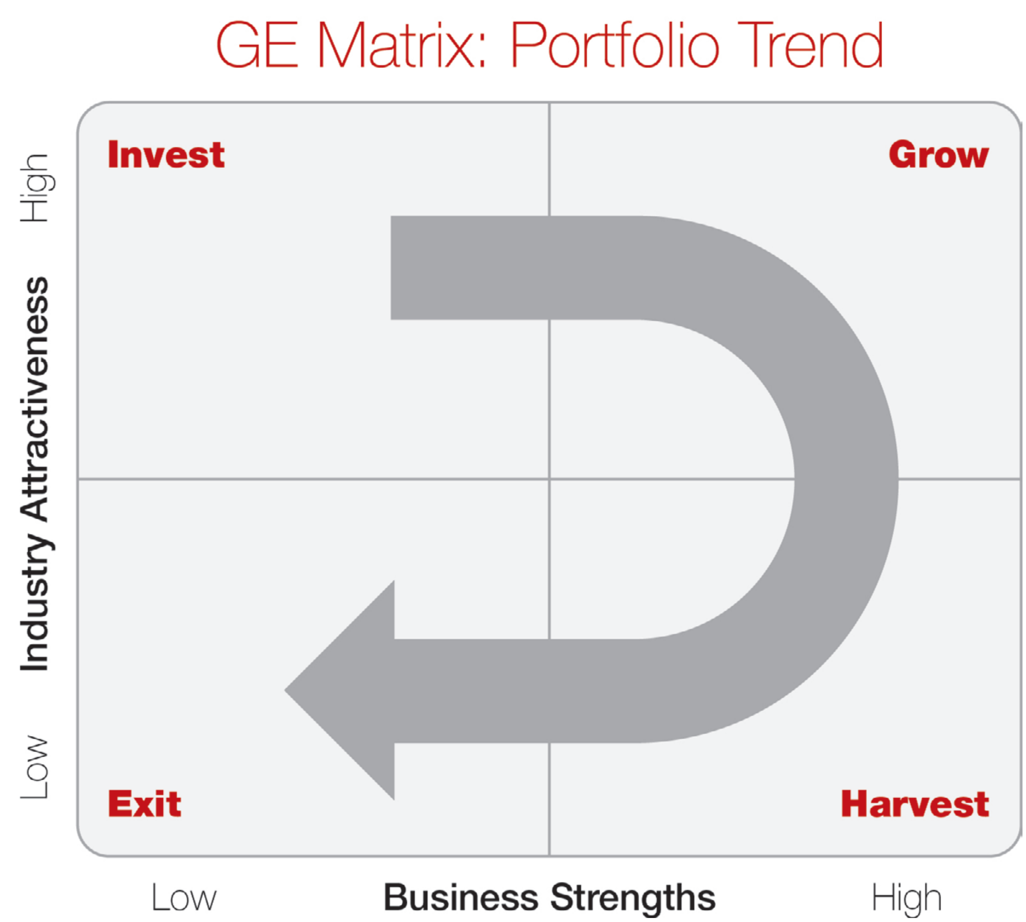
An industry's attractiveness alone in insufficient cause for a firm to participate – the firm must also gauge how well it may be able to meet the needs of the industry and how well it may be able to perform given the capabilities present within the firm. This analysis is completed by determining the fit of the industry to the firm's business strengths – factors like the firm's own ability to be profitable in the industry, their technological and manufacturing basis to provide products and services and so on. Completing the GE Matrix produces a result similar to the diagram below.

In this diagram, the circle size represents the size of the segment; the position represents its scoring; the pie slice represents the firms market share; and the arrow represents its expected trajectory over time.

Keep in mind this is a relative and comparative tool – not one that represents any absolute values. The factors to be considered, the weighting of those factors and the scoring system may be adjusted as long as the same system is used to compare all industries so that relativity is maintained.

Also note that a single firm cannot adjust industry attractiveness, but business strengths can be improved via investment.

Finally, if we think of segments being defined by a particular technology (that meets segment needs) we can see that



technology life cycles often follow around in a clockwise direction on this chart as shown below – further argument for clear-eyed portfolio management not only of segments but of technologies used in those segments. A typical portfolio lifecycle is illustrated below on the GE Matrix.

Targeting - Four Classic Market Strategies

There are four well-known classic market-targeting strategies that generally characterize company activities related to particular market segments.

Exit Strategy

For opportunities having poor market dynamics and poor fit to Company-capability an Exit strategy is often the best course. Exiting a segment may prevent highly competitive, non-profitable endeavors form siphoning off valuable Engineering, Manufacturing or Sales resources that could be better utilized elsewhere. Exit-segments are in poor markets and often demand excessive Engineering or Manufacturing resources and have unacceptable profitability.

Harvest Strategy

Opportunities in markets with poor overall dynamics but which fit well with an existing company-capability may be managed with a Harvest strategy. In a Harvest strategy resources are cut-off or minimized and revenue is taken opportunistically. Existing customers may be supported minimally, but new business is not aggressively pursued and new engineering or manufacturing resources are strictly limited. Harvest-opportunities often yield moderate to very good incremental profitability and can be an important part of an overall company-strategy where scale is important and where the resultant low-cost position can be applied to other highly profitable markets.

Growth Strategy

Opportunities with good market dynamics and with good fit with company-capability are candidates for Growth strategy. In this strategy investments are made in usually near-term activities that are intended to directly expand revenue. Examples include hiring Sales people, developing brochures or catalogues, developing product extensions and product customizations and expanding value-add activities moderately within existing company-capabilities, etc. Growth opportunities may be expected to yield the highest net income due to good market dynamics and minimal strategic-resource requirements.

Invest Strategy

Opportunities in large and growing segments with good profitability and relatively low competitive intensity but for which the company may lack a particular capability may be good candidates for an Invest strategy. An example may be an opportunity with good market dynamics but for which the company possesses two of three required capabilities. In this case investment in added capability such as new plant capacity, a new technology (e.g. hiring design experts, purchasing test and analysis equipment, etc.) may be the advisable approach. Invest strategies are usually (but not always) somewhat longer term and are characterized by higher risk due to higher investment levels and the longer time frame. Successful investment strategies will move the opportunity to the right in the matrix over time, and ideally, well into the Growth quadrant.

Placing all opportunities in the context of the Industry Attractiveness/Business Strengths matrix levels the playing field and allows managers to focus on Growth-opportunities, to streamline and Exit where appropriate, and to manage activities in Harvest and Invest-opportunities.

Opportunities are often observed to migrate from Invest in a clockwise direction into Growth as capability improves and into Harvest over time as market dynamics deteriorate (for example due to increased competition, decreased performance requirements, etc.). If companies divest required capability, e.g. capability suitable only to markets that are now unattractive, the opportunity may migrate to the Exit quadrant and the company may exit.

Differentiation

Differentiation of an offer is of course at the very core of strategy. "Different" does not equal "differentiated" however. The word differentiation is widely used and misused in strategy and business. For an offer to be differentiated it needs to substantially meet a rigorous test. Differentiated attributes should be uniquely meaningful to customers and create lasting value for the firm.

Testing Differentiation

A good test to determine which attributes are truly differentiated is the following 8-point test:

1. Important - highly valued by most customers
2. Unique - not currently offered & cannot be easily copied
3. Profitable - the company can make a profit
4. Superior - provides better benefit

5. Communicable - can be perceived by customers
6. Affordable - customer are able and willing to pay
7. Realistic - consistent with current or planned internal strengths
8. Credible - customers will believe

Differentiable attributes are those aspects of an offer that create the core value for customers and represent the reason they make buy and repeat-buy decisions for the brands products/services.

In many strategic approaches, good differentiation minimizes the number of differentiated attributes (typically 1 to 4), which allows the company to maintain internal focus and to structure itself to establish or maintain superiority of differentiated attributes. This approach follows closely the philosophies behind the core competency approach to strategy in which differentiable attributes rely heavily on core competencies.

Systems of activities approach to strategy however may involve many “capabilities” as discussed previously. We may think of these capabilities as “lesser competencies” but with no particular need to be best-in-class in any given one since the value comes from the system as a whole with all pieces functioning adequately (but not necessarily best-in-class).

system of activities approach (or some blend of the approaches) is a decision that will be clearly dictated by the description of the differentiated offer and what a firm must undertake in order to best deliver the differentiated offer.

A partial list of possible differentiable attributes is shown below.

Product	Service	Personnel	Image
Specific Features	Delivery	Competence	Symbol
Specific Performance	Ease of Installation	Courtesy	Media
Conformance	Warranty	Credibility	Atmosphere
Quality	Repair Service	Reliability	Events
Durability	Training Support	Responsiveness	
Reliability	Consulting	Communications	
Reparability	Technical Support	Appearance	
Style and Design			

The best approach to differentiation is to think carefully and spend adequate time with research, client interviews etc. to come to deeply understand the true underlying needs of customers. Only with depth of understanding is it possible to develop differentiated offers that maximize competitive advantage.

After a clear view of what constitutes the differentiated offer, the issue of core competency vs. system of activities becomes much more straightforward to evaluate. Whether a firm chooses to more closely follow a core competency approach or a

A company’s offer should be differentiated from competitive offers. Otherwise, ‘Why would a customer purchase from us?’ Good differentiation is identifying and developing differences to distinguish the offer from competitive offers. Internal resources are focused on differentiated attributes, and threshold-performance is maintained on other important attributes. Finally, some portion of the brand position (discussed in the following section) is aggressively communicated to customers.

A successful brand position compels targeted customers to make buy and repeat-buy decisions, because it appeals to their most important needs in a category and the firm is perceived as best in delivering the offer.

For the purpose of developing brand position goals, price is generally not recommended as a differentiable attribute since most companies seek to optimize price. Good differentiation however does provide a bonus that may allow the company to charge a price premium, maintain market-share or enter new markets dominated by entrenched competitors.

Common Differentiation Mistakes

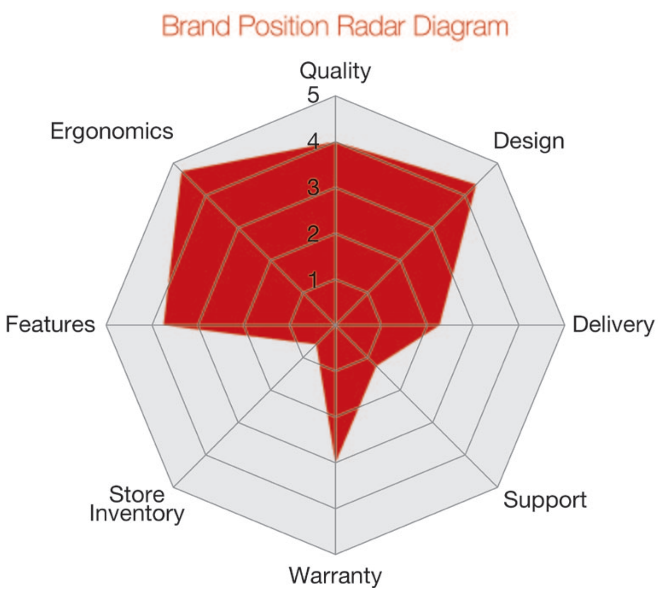
Common differentiation mistakes include selecting attributes that are not important to customers and selecting brand positions that are the same or too close to a leading competitor's position. It is okay and in many cases advisable to have offer-attributes that are identical to competitors. Many attributes are simply required, particularly in industrial/commercial markets.

Gating Attributes

For example, attributes such as meeting certain minimum quality standards, reliability standards, conformance to industry standards, and delivery standards are often required for a company to be considered a viable supplier. These items are referred to as "gating" items. Many gating items are set at sufficiently high levels such that incrementally increased performance doesn't yield substantial increased utility to the customer. Here the principle of decreasing marginal utility is at work. An obvious example is that an improvement in delivery performance of two or three minutes may have little utility to many customers. It is generally unworkable to attempt to differentiate gating items. These may be important attributes, and, if so, the company will seek to maintain required performance, but will not waste resources increasing performance above the levels rewarded by customers. These attributes are part of the position but are not differentiated and are neither the subject of heavy promotion to the customer nor the subject of excessive focus by the company.

An ideal brand position is one that is based on areas in which the company already thoroughly excels. This is rare however. In the usual case where an ideal brand position differs from the company's current actual brand position, the company adopts a brand position goal. The brand position goal identifies key attributes of the product or service offer that the company will seek to attain and perfect. The logic follows that if unique attributes, important to customers have been selected, realized, attained and effectively communicated, then customers will buy.

Good judgment is important in selecting brand position goals such that they are credibly attainable in a reasonable timeframe and with reasonable resources. Gaps between current brand position and brand position goal are strong drivers of



strategic objectives to improve capability in certain areas.

Brand Positioning and Brand Value

A lot of attention has been focused in the last decade on brand value and rightly so. According to present practice, brand value often makes up a significant portion of company financial valuations.

Brand position refers to how a firm is perceived by customers or potential customers. Customers make buy and repeat-buy decisions based on their perceptions. Brand position is thus defined as the perception of the brand in the minds of customers.

Brand positioning is a direct subset of differentiation. Successful differentiation and, thus, brand positioning requires a paradigm shift from the perspective of the firm to the perspective of the customer. Differentiable attributes that are deemed most valuable to the customer become the basis of brand positioning.

There always exists an actual brand position (in the mind of the customers) and a desired brand position – that is referred to as brand position goal. The difference in actual and desired brand position creates activities that are reflected in strategic objectives as the firm seeks to close the gap. Activities to close brand position gaps may include fundamentally improving internal capabilities as well as marketing activities to better communicate the brand attributes.

Firms must be careful in positioning relative to competitors. A market-leading firm may position similarly to a lower-share competitor since customers generally prefer to buy from the market leader. A lower share firm should not however position similarly to a leader to the same reasons.

Firms are well advised to carefully analyze the positioning and differentiation of competitors in the process of constructing their own differentiation and positioning.

Classic Growth Strategies

Companies find many ways to grow, and most falls into one of the following descriptions:

8 Classic Growth Strategies

1.0 Market Penetration - Sell more to existing customers - Attract competitors's customers - Attract new customers	2.0 Market Development - New market for current products	3.0 Product Development - New products for existing customers	4.0 Horizontal Development - New technologies with marketing synergies
5.0 Horizontal Integration - Acquire competitors	6.0 Backward Integration - Acquire suppliers	7.0 Forward Integration - Acquire distributors	8.0 Conglomeration - New businesses with few synergies

Growth strategies are of course often a combination of these methods.

Competency Testing

Competency testing is a simple analysis that identifies competencies required for specific product/service offers and rates the firms capability in each competency.

Required competencies with low ratings for capability are flagged such that plans can be made to compensate such as improve competency, outsource, and so on.

SWOT

SWOT (Strengths, Weaknesses, Opportunities, Threats) is a tried and true analytical tool with which most executives are

conversant. SWOT is used as the primary tool for analysis of the internal company environment (Strengths and Weaknesses) and the external business environment (Opportunities and Threats).

Marketing Plan

Marketing plans may be drawn up as part of the strategy development process or as an offline activity by a functional group with deep understanding of the strategy outputs and in particular, differentiation and brand positioning outputs.

See Appendix 2 for a few marketing plan considerations.

Implementation Plan

Implementation of the strategy is of course critical. An individual alone cannot implement strategy. It requires the actions and efforts of many people in an organization. As a result all team members should be thoroughly aware of the details of the plan and their assigned responsibility and accountability for them. Further team members should own the plan and buy in to it. This is best accomplished when the team has been made responsible to create the plan in the first place.

Implementation plans should be developed for each strategic objective and will entail a number of individual specific actions items.

Finally the plan should be a down to earth, practical set of steps that all team members agree is critical for the success of the business. Lofty or vague philosophical wishes have no place in the plan. A strategic objective to “increase market share” is better replaced by “increase market share by $10MM before January 30, 2015” backed up with action items like “hire new sales manager for IBM by July 15, 2013” and “make capability presentations to

IBM, Motorola, Honeywell etc. by February 15, 2012" The plan should be a hard-nosed business tool central to the running of the business.

The implementation plan consists of:

1. Actions and Assignments
2. Timeline and Milestones
3. Resources and Organization

For each strategic objective, actions are assigned to individuals, a timeline with key milestones identified and, if required, resources and organizations are adjusted.

Control Plan

To ensure timely completion of actions, a management review process is put in place along with key metrics. The control process also accounts for new data and changing environments and allows for periodic plan revision and redeployment.

The control process should be made up of the following three components:

1. A regular management and team review process
2. Key metrics
3. Periodic plan revision and redeployment

Methodology

METHODOLOGY

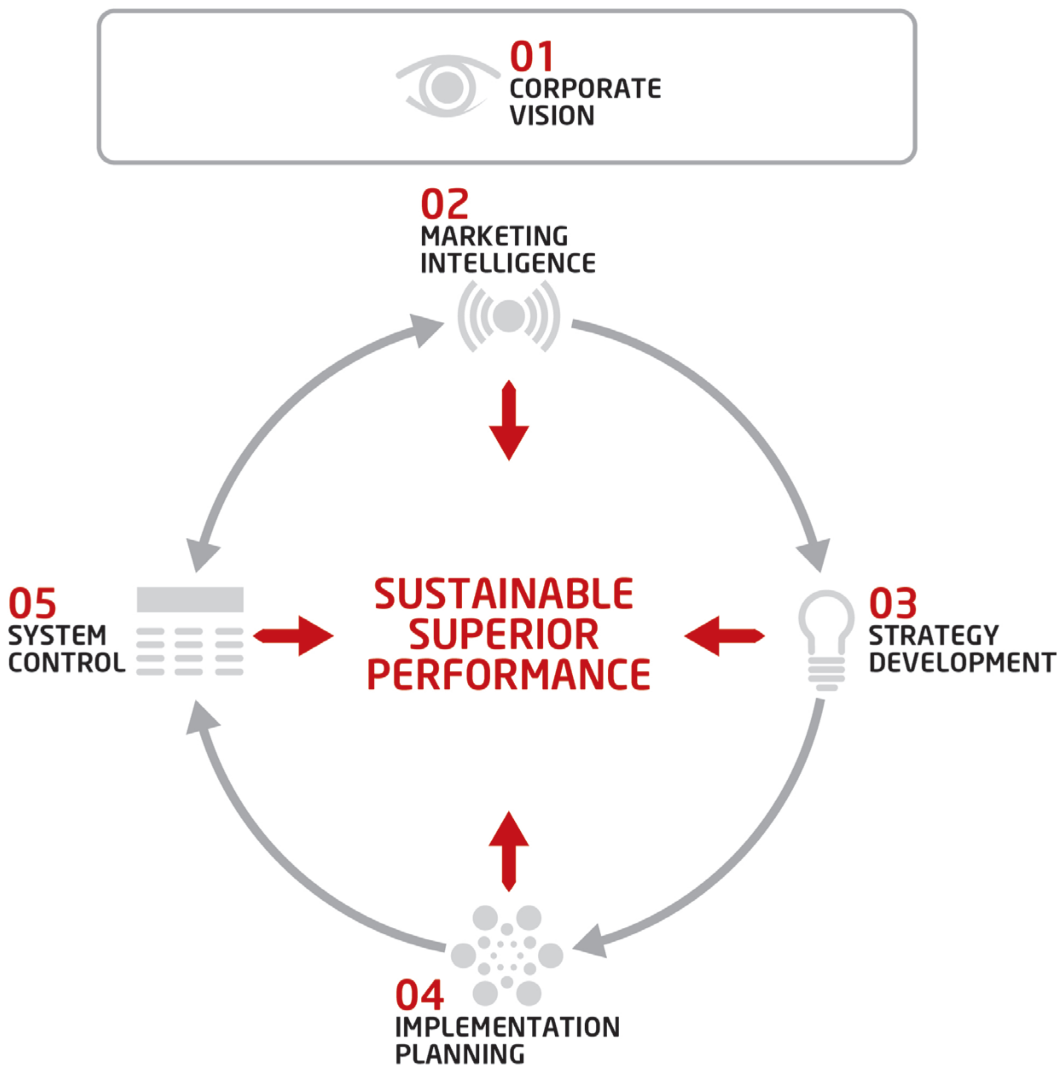
This section is offered as a step-by-step process that may be used to develop complete strategy.

Overview

The process flow is shown below.

- 1.0 Vision
  - 1.1 Vision Statement
  - 1.2 Values and Beliefs
  - 1.3 Mission
- 2.0 Marketing Intelligence
  - 2.1 Trends (OT)
  - 2.2 Markets (OT)
  - 2.3 Other Environment (OT)
  - 2.4 Competitors (SW)
  - 2.5 Company (SW)
  - 2.6 Differentiable Attributes
  - 2.7 Competitive Brand Positions
  - 2.8 Company Core Competencies
  - 2.9 Segmentation
  - 2.10 Industry Attractiveness/ Business Strength (GE Matrix)
- 3.0 Strategy Development
  - 3.1 Targeting
  - 3.2 Required Competency/ Capability Test
  - 3.3 Differentiation
  - 3.4 Brand Positioning
    - 3.4.1 Position Goals
    - 3.4.2 Current Brand Position
    - 3.4.3 Position Gaps
  - 3.5 Strategic Typology
    - 3.5.1 Core Competency
    - 3.5.2 System of Activities
    - 3.5.3 Other
  - 3.6 Strategic Objectives
  - 3.7 Marketing Plan (optional)

Strategy Methodology Overview

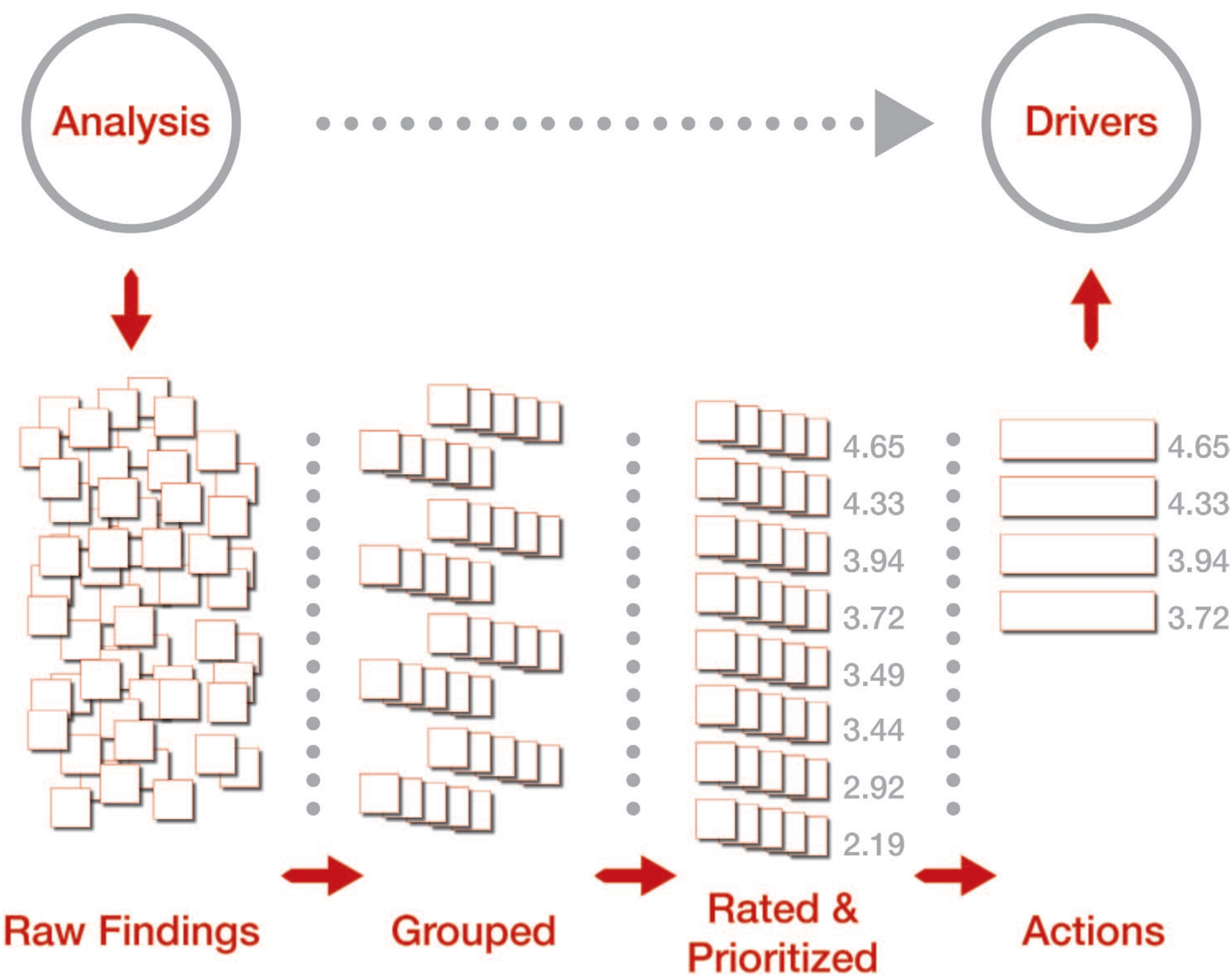


Analytical/Developmental Methods

The marketing intelligence phase (or analytical phase) relies on several standardized analytical methods. Many methods may be employed, and below is one method that has worked well.

Managing Data Overload

It is not uncommon for even a moderate strategy exercise to produce 1000's of outputs. To manage this challenge, throughout the process, outputs of the analytical phase are rated so that relative importance may be ascertained. Intelligence outputs are referred to as *drivers* and after rating are referred to as *rated drivers*. For top rated drivers, potential action items are developed that are intended to capitalize on a strength or opportunity, mitigate a weakness or threat or otherwise create a productive action. These top rated drivers then become inputs into the process for developing strategic objectives during the



strategy development phase.
An attractive method for generation of drivers during the marketing intelligence phase is:

1. Each team member creates a list;
2. Member lists are posted and consolidated (because there are usually many duplicates, similar or related items).
3. Items are rated to create priority of relative importance
4. Actionable items are created for items of high importance.

The method rating and details are:

Strengths/Weaknesses Analytic Method

Strengths/weaknesses analysis is used multiple times at different points in the process. Method:

1. Capabilities (whether strength or weakness) are to be listed and consolidated.
2. Capabilities are rated for strength as:
   a. Very Weak Capability (Score: 1)
   b. Weak Capability (Score: 2)
   c. Moderate Capability (Score: 3)
   d. Strong Capability (Score: 4)
   e. Very Strong Capability (Score: 5)
3. Capabilities are rated for impact as:
   a. Very Low Importance in Sustaining or Increasing Profits (Score: 1)
   b. Low Importance in Sustaining or Increasing Profits (Score: 2)
   c. Moderate Importance in Sustaining or Increasing Profits (Score: 3)
   d. High Importance in Sustaining or Increasing Profits (Score: 4)
   e. Very High Importance in Sustaining or Increasing Profits (Score: 5)
4. A key action item is created for each high-impact capability.

Scores may be created individually by team members then averaged to obtain the recorded score.

Opportunities Analytic Method

Opportunities analysis is used multiple times at different points in the process. Method:

1. Opportunities are to be listed and consolidated.
2. Opportunities are rated for attractiveness as:
   a. Very Low Attractiveness (Score: 1)
   b. Low Attractiveness (Score: 2)
   c. Moderate Attractiveness (Score: 3)
   d. High Attractiveness (Score: 4)
   e. Very High Attractiveness (Score: 5)
3. Opportunities are rated for probability of success as:
   a. Very Low Probability of Success (Score: 1)
   b. Low Probability of Success (Score: 2)
   c. Moderate Probability of Success

(Score: 3)
d. High Probability of Success (Score: 4)
e. Very High Probability of Success (Score: 5)
4. Attractiveness and probability of success scores are multiplied to create an impact rating.
5. A key action item is created for each high-impact opportunity.

Threats Analytic Method

Threats analysis is used multiple times at different points in the process. Method:

1. Threats are to be listed and consolidated.
2. Threats are rated for probability of occurrence as:
   a. Very Low Probability of Occurrence (Score: 1)
   b. Low Probability of Occurrence (Score: 2)
   c. Moderate Probability of Occurrence (Score: 3)
   d. High Probability of Occurrence (Score: 4)
   e. Very High Probability of Occurrence (Score: 5)
3. Threats are rated for severity of impact as:
   a. Very Low Severity of Impact (Score: 1)
   b. Low Severity of Impact (Score: 2)
   c. Moderate Severity of Impact (Score: 3)
   d. High Severity of Impact (Score: 4)
   e. Very High Severity of Impact (Score: 5)
4. Probability of occurrence and severity of impact scores are multiplied to create an impact rating.
5. A key action item is created for each high-impact threat.

Differentiable Attributes Analytic Method
For this exercise, differentiable attributes are those aspects of an offer that are valued by customers. Differentiable attributes will be used later in the process.

1. Customer need attributes are to be listed and consolidated.
2. Attributes are rated for importance to customers as:
   a. Very Low Importance (Score: 1)
   b. Low Importance (Score: 2)
   c. Moderate Importance (Score: 3)
   d. High Importance (Score: 4)
   e. Very High Importance (Score: 5)
3. The list is prioritized by importance.

Competitive Brand Positions Analytic Method

From the list of differentiable attributes, the team should agree and select the top 5-10 attributes (in terms of rated importance to customers) and rate the performance of the company and of competitors in each category. The result is the competitive brands positions and may be visualized using a radar diagram. Method:

1. Create list of top competitors.
2. Rate each competitor in terms of performance against each of the selected top differentiable attributes.
3. (Optional). Drivers may be created and rated for importance at this stage for any “standout” positions that create special concern.

Company Core Competency Analytic Method

This analysis identifies any core competencies that a company may possess. Method:

1. Create a list of potential core competencies.
2. For each of the core competencies, rate the company performance in each of the following four areas:
   a. Provides value to a relatively large number of segments
   b. Contributes significant customer-perceived value
   c. Difficult to imitate
   d. Company maintains best-in-class expertise
3. Rating system for each area:
   a. Very Low Agreement (Score: 1)
   b. Low Agreement (Score: 2)
   c. Moderate Agreement (Score: 3)
   d. High Agreement (Score: 4)
   e. Very High Agreement (Score: 5)
4. For any core competencies identified, create drivers to leverage the competency, ensure its maintenance and/or to strengthen it.

Note – many teams find their companies do not possess core competencies and that they operate in an approach that is similar to system of activities.

Segmentation Analytic Method

Define market segments. Generally a numerical methodology is not required for this step and a process of brainstorm, discussion and debate suffices. There are no drivers emergent from segmentation as segments are to be used in next steps.

GE Matrix – Industry Attractiveness/ Business Strengths Analytic Method

This analysis creates a view of segment dynamics and fit to company capabilities so that a segment portfolio (targeting) may be created along with guidance regarding marketing strategy (Invest, Grow, Harvest, Exit). This analysis is involved but straightforward. Method:

1. For each segment, rate industry attractiveness and business strengths.
2. Typical characteristics used for industry attractiveness include:
   a. Total Available Market (TAM)

b. TAM Growth Rate
c. Profitability (of the industry)
d. Competitive Intensity

3. A numerical scale for each industry attractiveness characteristic should be created that is applicable in range to the segments under consideration – remember this is a relative and comparative tool - not an absolute tool, so the scales used should be set to create discrimination between segments.
4. Characteristics may also be weighted in the event the team feels that certain characteristics are more important than others.
5. Rate segments for present values and expected values in future (5 years for example).

Industry Attractiveness

INDUSTRY >>	INDUSTRY NAME					
SEGMENTS >>	SEGMENT 1 NAME		SEGMENT 2 NAME		SEGMENT 3 NAME	
PRODUCTS >>	TYPICAL PRODUCTS		TYPICAL PRODUCTS		TYPICAL PRODUCTS	
	Today (2013)	Future (2018)	Today (2013)	Future (2018)	Today (2013)	Future (2018)
TAM ($Million):	$ 135	$ 150	$ 35	$ 87	$ 31	$ 45
Share ($Million):	$ 63	$ 88	$ 15	$ 43	$ 10	$ 18
Score:	5	5	2	3	3	4
Weight:	25%		25%		25%	
Contribution:	1.25	1.25	0.5	0.75	0.75	1
Score:	2	1	3	3	5	5
Weight:	25%		25%		25%	
Contribution:	0.5	0.25	0.75	0.75	1.25	1.25
Score:	4	3	3	3	3	3
Weight:	25%		25%		25%	
Contribution:	1	0.75	0.75	0.75	0.75	0.75
Score:	3	1	3	1	3	2
Weight:	25%		25%		25%	
Contribution:	0.75	0.25	0.75	0.25	0.75	0.5
Industry Attractiveness Score	**3.5**	**2.5**	**2.8**	**2.5**	**3.5**	**3.5**

Total Available Market ($TAM)

less than $25M	1
$25M - $49.9M	2
$50M - $74.9M	3
$75M - $99.9M	4
greater than $100M	5

Tam Growth Rate

less than 5%	1
5% to 9.99%	2
10% to 14.99%	3
15% to 20%	4
greater than 20%	5

Profitability (Gross margin)

less than 25%	1
25% to 34.99%	2
35% to 44.99%	3
45% to 55%	4
greater than 55%	5

Competitive Intensity

Average number of significant competitors competing in a region:

less than 3	5
3	4
4	3
5 or 6	2
greater than 6	1

Business Strengths

			Segment 1 Today	Segment 1 Future	Segment 2 Today	Segment 2 Future	Segment 3 Today	Segment 3 Future
		INDUSTRY >>	INDUSTRY NAME					
		SEGMENTS >>	SEGMENT 1 NAME		SEGMENT 2 NAME		SEGMENT 3 NAME	
		PRODUCTS >>	TYPICAL PRODUCTS		TYPICAL PRODUCTS		TYPICAL PRODUCTS	
			Today (2013)	Future (2018)	Today (2013)	Future (2018)	Today (2013)	Future (2018)
Technical Fit								
Company will possess the required core technology								
within 1 to 2 years	1							
within 1 year.	3							
Company currently possesses.	5	Score:	5	5	1	5	5	5
Company will possess the required core products:								
in greater than 3 years.	1							
in 2 to 3 years.	2							
in 1 to 2 years.	3							
within 1 year.	4							
Company currently possesses.	5	Score:	5	5	3	5	3	5
Company is able to provide technical support that customers perceive as excellent in:								
less than 75% of instances.	1							
75% to 85% of instances.	2							
85% to 90% of instances.	3							
90% to 95% of instances.	4							
greater than 95% of instances	5							
		Score:	4	5	3	5	4	5
		Average score:	4.667	5	2.333	5	4	5
		Weight:	15%		15%		15%	
		Contribution:	0.7	0.75	0.35	0.75	0.6	0.75
Manufacturing Fit								
Company will possess required process technology:								
in 1 to 2 years.	1							
within 1 year.	3							
Company currently possesses.	5	Score:	5	5	3	5	3	5
Scale-up requires greater than 24 months.	1							
Scale-up requires 18 months to 24 months.	2							
Scale-up requires 12 months to 18 months.	3							
Scale-up requires 6 months to 12 months.	4							
Scale-up requires less than 6 months.	5	Score:	4	4	2	3	4	4
		Average Score:	4.5	4.5	2.5	4	3.5	4.5
		Weight:	15%		15%		15%	
		Contribution:	0.675	0.675	0.375	0.6	0.525	0.675
Quality and Quality Systems								
Company is able to provide what is perceived as:								
very low quality	1							
low quality	2							
average quality	3							
high quality	4							
very high quality	5	Score:	4	5	4	5	4	5
Company maintains what are perceived as:								
very weak quality systems	1							
weak quality systems	2							
average quality systems	3							
strong quality systems	4							
very strong quality systems	5	Score:	3	4	3	4	3	4

Business Strengths worksheet continued...

Industry Attractiveness

			INDUSTRY NAME					
			SEGMENT 1 NAME		SEGMENT 2 NAME		SEGMENT 3 NAME	
			TYPICAL PRODUCTS		TYPICAL PRODUCTS		TYPICAL PRODUCTS	
			Today (2013)	Future (2018)	Today (2013)	Future (2018)	Today (2013)	Future (2018)
Company maintains what are perceived as:								
very weak quality systems	1							
weak quality systems	2							
average quality systems	3							
strong quality systems	4							
very strong quality systems	5	Score:	4	4	4	4	4	4
		Average Score:	3.667	4.333	3.667	4.333	3.667	4.3333
		Weight:	15%		15%		15%	
		Contribution:	0.6	0.65	0.6	0.65	0.6	0.65
Profitability								
Operating margin %								
Less than 5%	1							
5% to 10%	2							
10% to 15%	3							
15% to 20%	4							
Greater than 20%	5	Score:	5	4	4	3	4	4
		Weight:	25%		25%		25%	
		Contribution:	1.25	1	1	0.75	1	1
Marketing/Sales Channels Fit								
Company has a very poor reputation	1							
Company has a poor reputation	2							
Company has a average reputation	3							
Company has a good reputation	4							
Company has a very good reputation	5	Score:	4	5	3	4	4	5
Sales channel network is very weak.	1							
Sales channel network is weak.	2							
Sales channel network is average.	3							
Sales channel network is strong.	4							
Sales channel network is very strong.	5	Score:	2	4	2	4	2	4
Sales support capability very weak.	1							
Sales support capability weak.	2							
Sales support capability average.	3							
Sales support capability strong.	4							
Sales support capability very strong.	5	Score:	3	4	3	4	3	4
		Average Score:	3	4.333	2.667	4	3	4.3333
		Weight:	15%		15%		15%	
		Contribution:	0.45	0.65	0.4	0.6	0.45	0.65
Strategic Fit								
Current market share is less than 20%.	1							
Current market share is 20% to 30%.	2							
Current market share is 30% to 40%.	3							
Current market share is 40% to 50%.	4							
Current market share is greater than 50%.	5	Score:	4	4	3	3	2	3
		Weight:	15%		15%		15%	
		Contribution:	0.6	0.6	0.45	0.45	0.3	0.45
Business Strength Score			**4.3**	**4.3**	**3.2**	**3.8**	**3.5**	**4.18**

Required Competency/Capability Test Analytic Method

Segments require certain competencies or capabilities. In this analysis required competencies/capabilities are listed and company performance is rated. Method:

1. List required competencies/capabilities
2. Competencies/capabilities are rated for strength as:
   a. Very Weak Capability (Score: 1)
   b. Weak Capability (Score: 2)
   c. Moderate Capability (Score: 3)
   d. Strong Capability (Score: 4)
   e. Very Strong Capability (Score: 5)
3. Competencies/capabilities are rated for impact as:
   a. Very Low Importance in Sustaining or Increasing Profits (Score: 1)
   b. Low Importance in Sustaining or Increasing Profits (Score: 2)
   c. Moderate Importance in Sustaining or Increasing Profits (Score: 3)
   d. High Importance in Sustaining or Increasing Profits (Score: 4)
   e. Very High Importance in Sustaining or Increasing Profits (Score: 5)
4. A key action item is created for each high-impact capability.

Targeting

Based upon the outputs of Segmentation and the GE Matrix, select segments for targeted efforts and assign appropriate marketing strategies (Invest, Grow, Harvest, Exit).

Differentiation

Based upon the outputs of Differentiable Attributes and Competitor Brand Positions, select the attributes around which the company will differentiate its offers.

For each differentiable attribute selected to be the basis of the company's differentiation, perform a strengths/weakness analysis to create rated drivers.

Brand Positioning

From the list created in the Differentiation exercise and by careful comparison to competitor positions select differentiable attributes to become the definition of the company brand position. These attribute are subject to the highest level of attention and become part of the marketing communications program.

For each of the differentiable attributes selected define desired performance (using the scales from the Competitor Brand Positioning Analytic Method)

For each attribute where there is a gap (position gaps) between current and desired performance, ensure that proper, rated drivers have been adequately created, or create them.

Strategic Typology

At this stage the team should review differentiable attributes selected during Differentiation along with position gaps and discuss the appropriate view of the strategic typology that may best allow the company to deliver the differentiated offer.

The conclusion of this exercise may be that the company is best served by the core competency strategic typology, the systems of activities strategic typology, something in between or some other description.

The team should ensure that adequate rated drivers have been created to support the summary of the strategic typology – or should now create them.

Strategic Objectives

All high rated drivers should at this stage be pooled. It will be observed that these drivers naturally fall into "groups" having similar themes. By grouping and further consolidating key strategic objectives emerge. The themes underlying each grouping are the strategic objectives.

After these strategic objectives are created, the team should adopt a high-level view in order to "reality check" these key strategic objectives to ascertain if key objectives may have been missed.

Marketing Plans/MarCom (Optional)

Some teams prefer to include marketing plans as part of their strategic development exercises. If desired marketing plans by segment or as an overall approach should be documented.

See Appendix 2 for a few marketing plan considerations.

Implementation Plans

Implementation of the Strategic Marketing Plan is critical. Effective implementation of the Strategic Marketing Plan is usually best accomplished when an individual owns it responsible for business performance in the targeted segments. Usually this will be a person carrying the title of Product Manager, Program Manager, Business Manager, Market Manager or the like.

An individual alone cannot implement a Strategic Marketing Plan. It requires the actions and efforts of many people in an organization. As a result all team members should be thoroughly aware of the details of the plan and their assigned responsibility and accountability for them. Further team members should own the plan and buy in to it. This is best accomplished when the team has been made responsible to create the plan in the first place.

Finally the plan should be a down to earth, practical set of steps that all team members agree is critical for the success of the business. Lofty or vague philosophical Strategic Objectives have no place in the plan. A Strategic Objective to "increase market share" is better replaced by "increase market share by $10MM before January 30, 2002" backed up with Action Items like "hire new sales manager for IBM by July 15, 2001" and "make capability presentations to IBM, Motorola, Honeywell etc. by February 15, 2001" The plan should be a hard-nosed business tool central to the running of the business.

The implementation phase consists of:

1. Actions and Assignments
2. Timeline and Milestones
3. Resources and Organization

For each Strategic Objective and for each key element of the Marketing Plan, actions are assigned to individuals, a timeline with key milestones is identified and, if required, resources and organizations are adjusted.

Control Plan

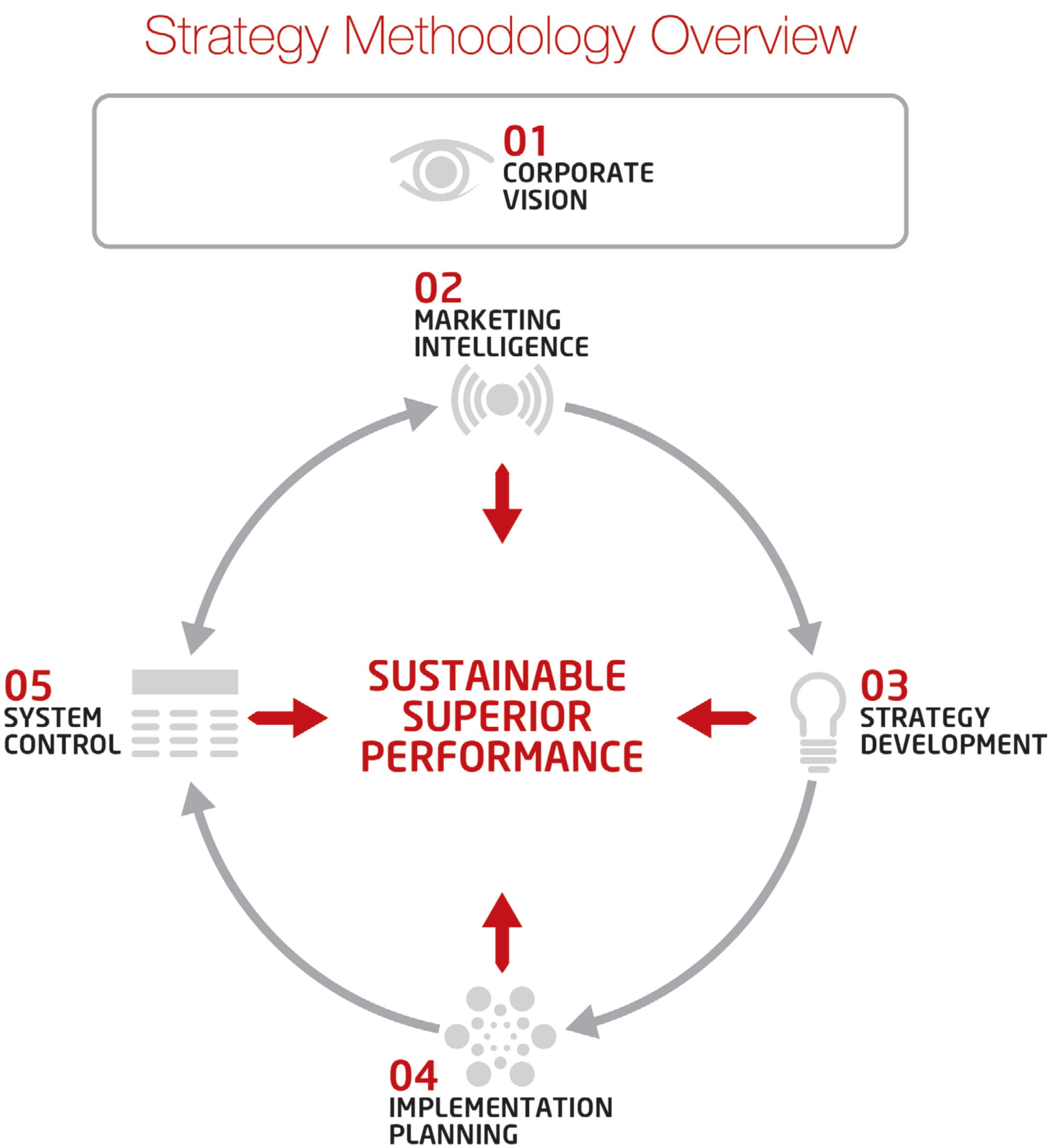
To ensure timely completion of implementation, a management review process is put in place with key metrics. The control process also accounts for new data and changing environments and allows for periodic plan revision and redeployment (perhaps twice annually depending upon business conditions).

The control process should be made up of the following three components:

1. A regular management and team review process
2. Key metrics
3. Periodic plan revision and redeployment

See Appendix 1 for a graphical overview of the methodology.

APPENDIX 1 - GRAPHICAL METHODOLOGY OVERVIEW



Key

- (R) Data from Research (raw inputs)
- (E) Data from Expertise (raw inputs)
- (D) Drivers (Findings from analysis)

01 CORPORATE VISION

Input	Analysis	Method	Output
	1.0 Corporate Vision		
R E	1.1 Vision	Discussion	Vision Statement
R E	1.2 Values & Beliefs	Discussion	V & B Statement
R E	1.1 Mission	Discussion	Mission Statement

02 MARKETING INTELLIGENCE

Input	Analysis	Method	Output
	2.0 Marketing Intelligence		
	2.1 Trends		
R E	2.1.1 Trends	Opportunities	D
R E	2.1.2 Trends	Threats	D
	2.2 Markets		
R E	2.2.1 Markets	Opportunities	D
R E	2.2.2 Markets	Threats	D
	2.3 Other Environment		
R E	2.3.1 Other Environment	Opportunities	D
R E	2.3.2 Other Environment	Threats	D
R E	2.4 Competitors	Strengths & Weaknesses	D
R E	2.5 Company	Strengths & Weaknesses	D
R E	2.6 Differentiable Attributes	Special	Diff. Attributes
R E Diff. Attributes	2.7 Competitive Brand Positions	Special	Comp. Positions
R E	2.8 Company Core Competencies	Special	Core Competencies
R E	2.9 Segmentation	Discussion	Segments
R E Segments	2.10 IABS	GE Matrix	Segment Dynamics

03
STRATEGY DEVELOPMENT

Input	Analysis	Method	Output
	3.0 Strategy Development		
R E Segments Segment Dynamics	3.1 Targeting	Discussion	Targets
R E Targets	3.2 Competencies Testing	Special	D
R E Diff. Attributes	3.3 Differentiation	Discussion	Differentiation
	3.4 Brand Positioning		
R E Diff. Attributes	3.4.1 Position Goals	Special	Position Goals
	3.4.2 Current Brand Position	Special	Curr. Position
Position Goals Curr. Position	3.4.3 Position Gaps	Special	D
Position Goals	3.5 Strategy Typology	Discussion	Strategy Type D
D	3.6 Strategic Objectives	Special	Strategic Objectives
Strategic Objectives	3.7 Marketing Plans	Optional/Special/Offline	Marketing Plan

04 IMPLEMENTATION PLANNING

Input	Analysis	Method	Output
	4.0 Implementation Plan		
Strategic Objectives	4.1 Actions & Assignments	Discussion	Action Plan
	4.2 Timeline & Milestones	Discussion	Timing & Milestones
	4.3 Resources & Organization	Discussion	Organization Plan

05 SYSTEM CONTROL

Input	Analysis	Method	Output
	5.0 Control Planning		
	5.1 Review Process & Schedule	Discussion	Review Process
Strategic Objectives	5.2 Key Metrics	Discussion	Metrics
	5.3 Plan Revision & Redeployment	Discussion	Redeployment Plan

APPENDIX 2 - MARKETING CONSIDERATIONS

Marketing Considerations

STRATEGIC

Product
Pricing
Key customers
Channels
Promotion
Competitor-specific approaches

WEBSITE CREATION & DEVELOPMENT

Web & new digital experiences
Information architecture
Visual & user interface
Design & development
Content management systems
Analytic strategy audits & integrated content creation (animation, video, 3d, illustration, photography, graphic standard)
Unique web advertising
Mobile concept
Social media relevance
Strategy and execution

ENVIRONMENTS & EXPERIENTIAL

Sales galleries
New experience technologies
Retail experiences
Storefront concept
Branded environments
Site audits
Signage systems
Space planning
Exhibit design
Interpretive signage
Interactive graphics
Retail product displays
Way-finding systems
Digital signage installations

CAMPAIGN

Social driven
Traditional print
Online
Viral/Gorilla/Stunt
Outdoor media
Environmental/pop-up

FILM & VIDEO

Storyboard
HD video
3d + 2d animation
Compositing
Special effects
Virtual demonstrations

PRINTED COLLATERAL

Books & brochures
Magazines
Promotional concept and delivery
Packaging

VISUALIZATION

3d architectural visualization
Interior rendering
Feature film fx
Product rendering

Tracy Crawford has over 25 years of business experience in Engineering, Sales and Marketing including over 15 years in establishing and growing businesses in China, Korea, Japan, Thailand, India, Philippines, Hong Kong, and Australia. He has been employeed by two Fortune 500 companies and has led top firms through global and regional strategy development and execution.

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