



Do You Have the Right Business Strategy?

Facebook and Apple are frequently touted as companies with strategies built on innovation and new product development. The Harvard Business School folks will tell you that innovation is the required strategy to beat the threat of commoditization. But, for the small to mid-sized companies that's probably not the case.

If you're running a construction company, a healthcare related organization, an agribusiness or

other mid-market company you'll probably be better off finding a strategy that's more relevant to your situation.

Harvard Professor Michael Porter identifies three principles underlying strategy: **creating a unique and valuable [market] position**, making trade-offs by **choosing "what not to do,"** and **creating "fit"** by aligning company activities with one another to support the chosen strategy.

Porter also suggested that companies should choose one of three basic strategies to get started: **cost leadership (the low cost provider position), differentiation or focus.**

If you've been in business for any length of time you are already operating under some sort of strategy, although you may not be aware of it. According to Porter,

*"The best CEOs I know are teachers, and at the core of what they teach is strategy."
- Michael Porter*



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you can determine which strategy you are already engaged in:

- If a firm is targeting customers in most or all segments of an industry based on offering the lowest price, it is following a **cost leadership strategy**;
- If it targets customers in most or all segments based on attributes other than price (e.g., via higher product quality or service) to command a higher price, it is pursuing a **differentiation strategy**. It is attempting to differentiate itself along these dimensions favorably relative to its competition. It seeks to minimize costs in areas that do not differentiate it, to remain cost competitive;
- If it is focusing on one or a few segments, it is following a **focus strategy**. A firm may be attempting to offer a lower

cost in that scope (cost focus) or differentiate itself in that scope (differentiation focus).

The problem many small to mid-size companies face in developing a strategy is that not enough data is collected and analyzed prior to strategic planning. Many companies will go off-site with a facilitator for a few days to do strategic planning but don't have the needed data at hand to make well-informed decisions. Therefore, a lot of decisions are made on assumptions and selected reality. Use the **Ladder of Inference tool** to identify how your reasoning is affecting your selection of strategy.

Prior to developing the best strategy for your company, these analyses should be done:

Market Conditions and the Current Context in which you do business: here you can employ a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats), a PEST Analysis (Political, Economic, Socio-Cultural and Technology forces) and look at your core competencies and where you have achieved mastery.

Customers and Stakeholders: Keeping your customers happy and finding more customers is the end goal of a growth strategy. Analyze what

JEFF BLEACHER



“Financial tools are critical for developing your business strategy. Conducting a thorough risk analysis, cost-benefit analysis, break-even analysis and calculating ROI is important in the planning process.”

KEN FALK (on the right)



“We see most mid-market companies using a combination of strategies to effectively go to market. Although it's difficult, sometimes combining a low-cost provider strategy with a market segmentation strategy can create a niche that generates growth and profits.”

“Always focus on the front windshield and not the rearview mirror.”

- Colin Powell



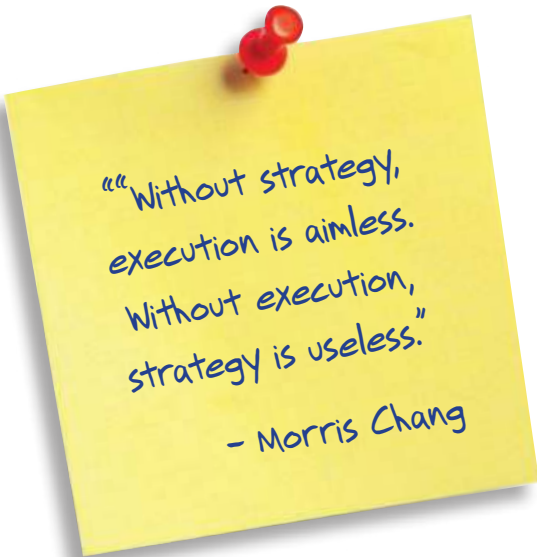
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keeps your customers coming back, why they stay with you, what market segments you are serving well and could serve better and how you reach those segments. A market segmentation strategy is one where you focus on market segments individually and focus on each market's needs and wants.

Competitors: Competitive pressures are tremendous for small to mid-size companies and

identifying and creating competitive advantages is an important aspect of developing the right strategy. Knowing what the competition is doing and what their SWOT analysis looks like helps to guide strategic planning.

Having analytics and data in hand is essential to picking the best strategy, or tweaking the one you already have. Give your strategic direction the time and resources it needs to grow your organization (18 months to see results and twice as much money as you budget) and you'll see the fruits of your labor.



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LARRY REICH



"Understanding key stakeholders and their needs is an important piece of the strategic planning process. We often make assumptions about our stakeholders and only consider customers. But, vendors, influencers, our professional partners and others are all important in our strategic planning process."

PATRICK GENDRUE (on the left)



"Creating a competitive advantage, or multiple advantages, will help the underlying foundation of your strategy. A growth strategy needs a strong foundation of excellence in all areas of your business."