

THE STRATEGY POCKETBOOK

By Neil Russell-Jones

Drawings by Phil Hailstone

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STRATEGIC COMPONENTS

KEY ELEMENTS



This chapter will explore the key components of strategy.



It will consider the difference between corporate and competitive strategy, where much of the confusion that surrounds strategy arises, and the major parts of each.



It will look at the factors that will affect and drive how strategy is shaped and who has inputs into strategy.



The major groups of stakeholders are considered and why it is necessary to understand them and have measures for each group in relation to the fundamental strategic objectives...

STRATEGIC COMPONENTS

FUNDAMENTAL STRATEGIC OBJECTIVES



For a commercial organisation the **fundamental objective** is to earn a return on capital that is *greater than the cost of that capital*. Thus it can continue to have the right to use that capital and, if necessary, have the right to raise more to meet its vision. All other objectives are **means objectives** in support of that fundamental objective.

Corporate strategy* is, therefore, about managing the **value** of an organisation – often expressed in monetary or financial terms. Thus it is helpful to refer to this as **financial value**.

Competitive strategy* is about assembling the **inputs** (raw materials, assets, people, technology, finance, distribution) which, when put together with reference to a defined market as a **Customer Value Proposition (CVP)**, enable the **outputs** (products/services) to be delivered to the market for **commercial value**.

Support strategies are in fact components of the competitive strategy (or strategies) and it is more helpful to refer to them as **functional policies** as they usually refer to a particular organisational function such as HR, IT, Finance etc.

* NB: note the difference between these two!

STRATEGIC COMPONENTS

CORPORATE VS COMPETITIVE STRATEGY



There are key differences between the two types of strategies, as shown below:

	Corporate Strategy	Competitive Strategy
Overarching Statement	Vision	Mission
Level	<ul style="list-style-type: none">• Top – broadest view• Looks out, up, down and across• Sets general goals	<ul style="list-style-type: none">• Management level• Focuses on markets• Sets specific goals
Resources	<ul style="list-style-type: none">• Sets priorities	<ul style="list-style-type: none">• Allocates
Focus	<ul style="list-style-type: none">• Financial	<ul style="list-style-type: none">• Commercial
Products	<ul style="list-style-type: none">• Relates to them in a general sense• May own corporate brand	<ul style="list-style-type: none">• At the heart of the strategy• Owns specific product brands

Most thinking and analysis focuses on **competitive** strategy as this delivers to the **corporate** strategy. Functional policies support these.

STRATEGIC COMPONENTS

VISION VS MISSION



These terms are often used indiscriminately and confusingly, along with other terms such as *goals*, *objectives* and *targets*. As a result they do not act as guides and frameworks for organisations and often end up as trite, useless and generic statements.

To clarify things it is better to adopt separate and discrete meanings:

Vision (*very few organisations really have this*)

- An initially almost unmeasurable idea that should provide unity of purpose and inspire
- It should be uncluttered, eg 'Put a man on Mars' (NASA); 'A PC on every desk' (Microsoft); 'Quality, service, cleanliness and value' (McDonald's); 'A GI to buy soda anywhere in the world' (Coke)
- It does not talk about markets or targets and it is durable, ie it does not change unless there is catastrophic change in the world

STRATEGIC COMPONENTS

VISION VS MISSION



Mission

Relates to an entity or a service offering; sits within the vision – ie is a step along the way. Is market-focused and contains high-level goals and targets...

Goals (= objectives)

The aims you must get right to satisfy your stakeholders/customers and to meet your corporate requirements. By achieving your goals you know when you have arrived (strategically speaking). They must be differentiated from...

Targets

Through which you **measure your achievement** relative to goals and which drive corporate behaviour. Targets can be cascaded down an organisation to ensure unity of effort.

STRATEGIC COMPONENTS

STRATEGIC CONSIDERATIONS



A **corporate strategy** will consider:

- Business segmentation
- Branding at the corporate level
- Capital strategy
- Vertical integration (eg buying suppliers/distributors)
- Group HR policies
- Corporate positioning
- Corporate philosophy
- Delegated autonomy
- 'Portfolio management' (internal)
- Horizontal co-operation (across the organisation)

Competitive strategy, however, looks at different issues...



STRATEGIC COMPONENTS

STRATEGIC QUESTIONS



There are some basic questions that a **competitive strategy** must answer:

- What does the market want?
- What are we going to offer?
- How are we going to offer it?
- At what do we need to excel to succeed?
- How will the competition respond?
- Can we make money?
- What are the internal implications?
- What do we need to change?
- Will we satisfy our stakeholders?
- What are the risks and how shall we manage them?

About the Author

Neil Russell-Jones BSc (Hons), MBA, ACIB is an author and a management consultant and is a member of the Strategic Planning Society.

He works internationally with many organisations in many countries assisting them in developing or testing strategy, in improving their performance, change/programme management and in market analysis/research.

He has written many books and papers on business topics. His other titles include for Management Pocketbooks: *Business Planning, Decision-making, Managing Change, and Marketing*; and for the Institute of Financial Services: *Customer Relationship Management, Risk Evaluation, Customers and Their Needs and Marketing, Sales and Customer Service*.

He has been a lecturer on the CASS EMBA course, and a special advisor for the Prince's Youth Business Trust (patron HRH the Prince of Wales) in the areas of strategy and marketing. Neil is a regular speaker in many countries and has often appeared on radio and TV in the UK and elsewhere.

You can contact him at neiljones@eponaconsulting.com.

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