

# THE JP REPORT

## ON

# MARKET STRATEGY

A bi-monthly newsletter covering the critical issues for developing great Market Strategies.  
Dedicated to Strategic Thinkers everywhere.

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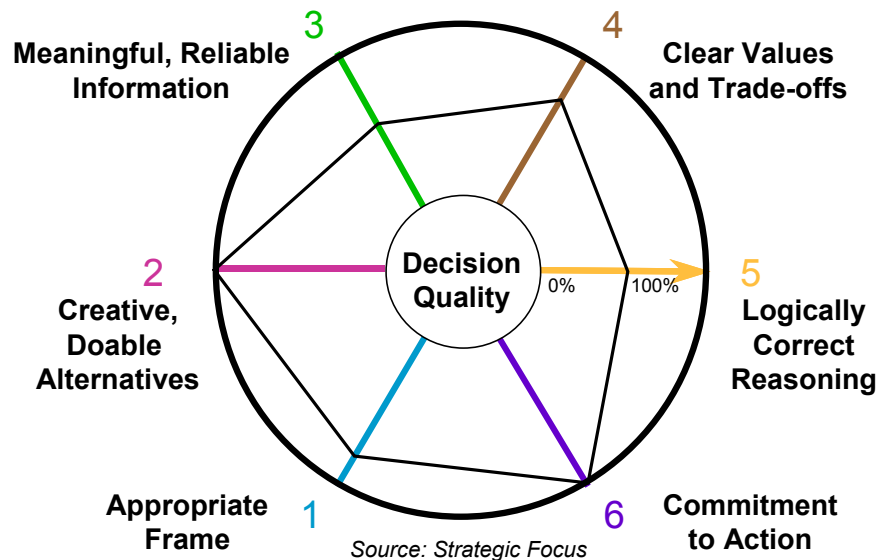
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### Biography

Mr. Prakash has over 20 years of experience as an Executive, Management Consultant and a Business Strategist. He is the founder and President of Strategic Focus, a consulting boutique that specializes in advising Computer & Software companies on their business strategies and IT shops on their Software purchase decisions. He has an MBA & MS in Engineering –both degrees from University of California, Berkeley.

## Ensuring a quality strategy means ensuring quality in each of the six elements of a decision.



**The overall quality is no better than the weakest link.**

## How Good Is the Quality of Your Strategy?

It is not enough for a company to have a strategy. The question every executive should ask himself and answer is "How good is the quality of our strategy? Is it going to work?" Although it is impossible for one to be 100% sure that any strategy for that matter will work, it is possible to have greater confidence in one's own strategy by ensuring quality in the following six elements of a decision:

1. **Appropriate Frame of Reference.** Has the strategy been developed using an appropriate frame of reference such as:
  - a. **Corporate Values/ Corporate Culture:** The strategy one would adopt in a culture where questionable practices are tolerated such as in companies like Enron, Tyco Electronics and Calpine would be quite different from a culture where integrity is the hallmark of

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every transaction starting from the lowest customer service representative all the way to the CEO. Another area where a value system makes a difference is in the acquisition of technologies or companies. Many do not believe in this as they suffer from the "Not-Invented-Here" syndrome. In such situations developing a strategy that will result in acquisitions will not work. Yet another example where the values make a huge impact on the strategy selection process is risk. Many CEO's are quite frankly very risk averse. So, suggesting a strategy that will involve a huge gamble such as entry into new markets or developing products that involve large investments is not likely to receive approval from top management. It is critical to develop a risk profile of the top managers especially the CEO.

- b. **Strategic Intent:** Prahalad and Hamel first coined this term in their 1989 Harvard Business Review article under the same name. It refers to a guiding theme or a vision that every corporation should have and helps them in selecting the business strategy, which will help in achieving that vision. An example of such a vision is one articulated by Steve Jobs of Apple Computer "get a PC on every desktop" or the one articulated by Bill Gates during his recent trip to India "Goal of Microsoft is to bring down the cost of a PC in India to less than \$100 so that even the most remote village can afford one".
  - c. **Corporate Objectives –Financial & Non-financial:** Every company has certain financial objectives such as ROI, EPS, and Revenue Growth Rates and these are typically set at the corporate level for each business unit. Examples of non-financial objectives are – improving quality, customer experience, brand image, etc. A company's business strategy should be able to achieve these objectives or else it is not likely to get approved by senior management.
  - d. **Stakeholder Values & Expectations:** A company will have a variety of stakeholders, which may include: employees, management, stockholders, trade unions, suppliers, customers and the society at large. Each of these stakeholders has a different interest in the corporation and these interests or values need to be reflected in the business strategy. For example if the community in which the company serves has strict laws on dumping toxic chemicals and the company is in the chip manufacturing business, the strategy should factor this into the equation. The company's largest customers will have expectations and a value system on how it wishes to do business --this has to be reflected in the strategy as well. Employees will have values in terms of being able to receive the necessary training that will not merely advance the interests of the company but also their careers. Unions may want to advance the medical and pension benefits of those employees who are union members. All these represent varying and many times conflicting interests, which makes the process of strategy analysis and selection a difficult one.
2. **Creative, Doable Alternatives.** Has the company been creative in developing several doable alternatives before it selects the strategy that best matches its frame of reference? Has it considered all possible opportunities in current as well as potential markets? Does it have a culture of innovation, which encourages new ideas? Are adequate


resources available to execute the project? Are the time frames realistic? These are questions all companies should ask of themselves.

3. **Meaningful, Reliable Information:** This in reality is the hardest of all. There is plenty of interesting information around on the industry, competition, the environment, etc from the analysts, press and self appointed pundits; unfortunately many companies will find to their dismay that most of this is not terribly relevant. To find meaningful and reliable information, it is critical to first define the most important strategic business issues and to define them as sharply as possible. Only after the issues are formulated and prioritized will it become painfully clear of the extent of the missing critical information needed to formulate meaningful alternative solutions to the issues at hand. The company will have to collect this information by using various market research techniques and almost always this process is both time consuming and expensive.
4. **Clear Values and Trade-offs.** The value proposition of the strategy selected must be clear and tailored to each of the market segments targeted. The trade-offs in choosing the company's solution over the competition must be clearly articulated. In almost all cases where a non-horizontal solution is being offered, the value proposition must be tailored to each of the verticals that are being targeted. Benefits must significantly exceed the costs of acquisition and maintenance of the solution or product.
5. **Logically Correct Reasoning.** Any strategy that is finally selected must be internally consistent and logical. A market strategy consists of many decision components --products, markets, price, promotion, distribution, etc. The solution component selected for each of these decisions must be in total harmony with the solution components of other decisions. For example, it would be foolish to develop a very expensive product with numerous features and distribute it through the most expensive channel to a very price sensitive segment of the market.
6. **Commitment to Action.** The strategy must have total buy-in from all of the relevant departments of the organization --Engineering, R&D, Sales, Marketing, Finance, etc. and everybody should be clear not only on the whole game plan but also on their role in executing this strategy. There should be 100% commitment to action.

## A Call for Action: The Strategy Audit

After a brief internal review of the strategy against the six elements it becomes clear that there are a variety of weaknesses in the strategy adopted, what is a company to do? To clearly identify and articulate those weaknesses and take corrective action, we recommend a Strategy Audit which includes the following steps:

- ◆ Articulate of the company's current strategy including a detailed description of all the strategy components.
- ◆ Identify and document the appropriate frame of reference as described above. This includes the value system, strategic intent and corporate objectives. This step in itself can be fairly time consuming.
- ◆ Examine each strategic decision and evaluate if alternate solutions are available. Examine if additional market intelligence is needed to develop



alternate solutions or to evaluate the current solution.

- ◆ Examine different combination of solutions for developing different strategy options.
- ◆ Ensure all solution combinations are in harmony with each other and logically consistent.
- ◆ Evaluate each strategic alternative for risk, reward and resources needed to execute the strategy.

*To learn more on how we can help you with your strategy assessment, please send an email to [jay@strategicfocus.com](mailto:jay@strategicfocus.com).*