

PERFORMANCE- BASED STRATEGY

Tools and Techniques for
Successful Decisions

This 'how-to' guide has worked well and will work for any group seriously wanting to change direction, change culture, and deliver results. The authors have done a very good job in a straight-forward, understandable and, most importantly, executable way to provide the roadmap to develop a strategy for your organization that will work, and with a deep commitment to communication, lead to results early in the first year of execution.

— Doug Oberhelman, Former Chairman and CEO,
Caterpillar Inc.

It is rare to see practice and theory combine as completely as they have in this book. Having had the pleasure of working with Steve and his team, and more importantly, having benefited directly as an investor, I can attest to the quality of his work. What is so terrific about this book is the clarity of thought and broader framework the authors provide as a scaffold for their very practical advice.

— David Steinglass, Partner,
Northlane Capital Partners, LLC

Your key customers and partners will also want to know if your strategy is sound. These tools will give the user command of their situation, and provide a powerful way to communicate it to both internal and external stakeholders.

— George Taylor, CEO,
Professional Cowboy Rodeo Association

The authors take the esoteric out of strategy development, which can be paralyzing for many leadership teams. Their actionable tools enable companies to quickly improve their strategy and ultimately their company's value. I have seen first-hand the power of these techniques in practice, and the results were amazing.

— Arthur R. Monaghan, Co-Founder,
Granite Equity Partners LLC

At a time when development of strategies in organizations is characterized by broad-brush, jargon-laden, vacuous discussions, this easy-to-read book reminds readers that crafting meaningful strategies is a challenging task that mandates paying attention to details. The authors also make the tools come alive by providing interesting anecdotes related to the particular tool in question. In brief, strategic decision makers and students of strategy can benefit greatly from reading this book.

— Dr. B. Ram Baliga, Professor of Strategy and
International Business, Wake Forest University

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Tools and Techniques for
Successful Decisions

BY

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India – Malaysia – China

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INVESTOR IN PEOPLE

To the memory of my father, Dr. Larry James Fairbanks.

I miss you every day.

SCF

To Kathy, Alex and Andrej, for making me a better person.

AAB

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Foreword

Steve and Aaron have addressed “strategy” in a simple and understandable way. Too many strategic consultants make it too hard. It’s not. As the authors so eloquently point out, if you know your markets and your business, using the practical tools discussed in the book will lead to results in a fairly short time. That’s also my experience — do it quick, measure it as often as practicable and keep communicating, consistently. Far too often I would visit a Caterpillar plant or office and see “strategy” on the walls from years before, and some with pictures of prior management teams. How can leaders expect their team to execute a strategy if they don’t know what it is, understand it, and then live it?

This “how to” guide has worked and will work for any group seriously wanting to change direction, change culture, and deliver results. The authors have done a very good job, in a straightforward, understandable, and most importantly executable way to provide the roadmap to develop a strategy for your organization that will work, and with a deep commitment to communication, lead to results early in the first year of execution.

I particularly was impressed by “The 90-day Bucket Tool,” in which “Get it Done” is the driver. This is absolutely imperative in a company that needs change, and rapid moves reinforce leadership’s commitment to that change.

I applaud Steve and Aaron in compiling a lifetime of learning from a very practical academic and a proven turnaround CEO. This is a strong combination and one that has impressed me. I’ve no doubt this book will change how companies think about

strategy, from development, execution, coordination, and most importantly — results.

This book, *Performance-based Strategy: Tools and Techniques for Successful Decisions*, incorporates tried and true philosophies, exercises, and tactical recommendations to guide any kind of organization, of any size to identify and implement a strategic direction and then *deliver results*.

There are unknown quantities of books, articles, and scholarly academic productions written over the years to do what this book actually does — know your business, know your markets, know your customers, and then devise a direction based on deep core knowledge. All of this won't work unless all levels of management truly believe and then communicate to all constituents. This includes all the leaders, team members, key suppliers, and key customers! Everyone in the chain has to be knowledgeable and then believe in it! Then deliver!

Doug Oberhelman,
Former Chairman and CEO, Caterpillar Inc.

Acknowledgments

From Steve Fairbanks

The genesis of this book began one day at a corporate meeting about 10 years ago. I learned that Dr. Ram Baliga, Professor of Strategy at Wake Forest University, was in attendance. I corralled him between the meeting and dinner to review a just completed strategic plan for the company I was with. I asked him for his honest feedback — or any comment — since I rarely got the chance to consult such an academic expert on strategy. He remained quiet as I reviewed a series of tools I used to complete the plan for the constrained and failing organization. I thought I'd laid an egg. When finished he simply said, "Why are you asking me? This is one of the best uses of strategy tools I've ever seen — and would you consider coming to Winston-Salem and presenting these to my MBA students." What an honor. And I actually got invited back! My thanks to Ram for his generous support and eventual contributions to this book.

A year later, I was reacquainted with another business school professor, Dr. Aaron Buchko from Bradley University. Upon learning of my speaking with WFU's MBA students, and my subsequent sharing of that presentation, he similarly asked if I'd come to Bradley and share it with his Executive MBA students. Again, another honor and multiple repeat annual visits. The tools seemed to resonate even more strongly with the EMBA's — those students with full-time executive jobs under a variety of time and resource constraints. The feedback from them was very encouraging. It was Aaron who first suggested that the presentation would actually

make a great book. We both served on a company Board together, and after a couple of years of pushing, and to get me off-center, he said “Look, I’ll co-author it with you. This stuff needs to get out into the public.” After I completed my last turnaround project, I took him up on his offer. And I’m glad I did. Having worked with Aaron in the past, I always described him as a great academic thinker who actually understood the real world. That combination has been vital to this book. He has also turned out to be a great writing partner. My sincere thanks to Aaron for his indispensable help on this project and friendship over the years.

Along the way, I have been blessed to work with a wide variety of people and have endeavored to learn something from each boss, peer, and associate I’ve met on the shop floor. Without you, the tools in this book could not have been honed to the point that we felt they were mature enough to share. My hope is that your efforts here will truly help others. Rest assured there is a little bit of all of you in this book.

I’d like to thank Don Rimes for not only being a great mentor, but seeing something in me worth investing in and starting me on my servant leadership path. Likewise, I am indebted to Ken Blanchard and the Lead Like Jesus movement for helping me evolve further on that journey, and I would also like to thank Jim Mudd and Phil Hodges for showing me an incredible kindness at a particularly difficult time.

In my Private Equity life, I am thankful to have crossed paths with David Steinglass, Art Monaghan, and Brett Keith, all leaders in their respective firms, for their help, encouragement, and support as owners and Board members. I would also like to recognize and thank Judy Bland, Randy Ingram, Bob Kuch, Maria Oelke, Jeff Ingles, Earl White, Luke Livingston, and Rodney Crim — as executives and team members I was honored to count you as colleagues. I’d also like to recognize Greg Flint and the Anderson Center, an executive training group in St. Cloud, MN, for their thinking on the definition of strategy — which we adapted herein to round out our vision.

I’d like to thank my Mom and Dad for giving me a great foundation in my formative years. My Dad was also a college professor

and I remember walking around the ping-pong table as a kid in our basement hand collating stacks of pages for a book he had written. I've had writing a book on my bucket list ever since and am proud to follow in those footsteps.

I'd also like to thank my children, Craig, Corey, Allyse, and Evan for all their love and support through the years. In addition to their Dad working long hours at times, they also put up with more than their fair share of family moves. I am so proud of the men and women you've become, and the families you have started. I am forever in your debt and now look forward to the opportunity of trying to repay it.

Lastly, and most importantly, I am eternally grateful to my wife Lori. Any modicum of success I've had in the business world pales in comparison to the fact I've somehow been able to hold on to one of the most wonderful women in the world for 36 years. Thank you for your sacrifices, your tireless devotion to our children, your support and patience with me, and for keeping me grounded in those things that really matter the most in life.

From Aaron Buchko

Getting a book together and published is not an easy task and is the result of the efforts of numerous individuals. Trying to acknowledge everyone is like trying to get the speech right at the Academy Awards — you're going to forget someone, and then the music will start playing. Nonetheless, I'd be remiss if I didn't acknowledge some key people who made this possible.

First of all, I owe a huge debt of gratitude to Steve for allowing me to be his wingman on this journey. We've known each other for about 12 years now, and every chance I've had to work with him and watch him in action with a group of executives never ceases to amaze me at his ability to grasp the needs of his audience (whether a management team or students), then take really tough challenges and reduce these to simple tools that people can get their heads around and lead to good decisions and better results. In my view, he is a genius at strategy, and it has been a

privilege to have been able to learn from him over the years we've worked together.

This book would not have been possible without the thousands of executives I've worked with over the years who have been the "test lab" for many of these ideas. Some worked, some didn't; and they let me know which was which! Their time, energy, and effort helped to refine many of these concepts and make these tools better. Some of them are used as anonymous anecdotes; hopefully, they will recognize themselves in the book. I hope that, in some small way, their use of these tools helped pay them back in part for letting me into their companies to learn and work with their people. In particular, I would like to acknowledge a debt of gratitude to Alan Sadler, CEO of Triple S, who has been a true friend as well as a brilliant strategist, and Gordon Honegger, the Chairman of Hometown Community Banks, who is a master at strategic market insights.

Likewise, I've benefitted over the years from my colleagues at Bradley University, especially Dr. Larry Weinzimmer, my "partner in strategic management" and golfing idol, who has helped shape my views of the practice of strategy. My students at Bradley, both graduate and undergraduate, have applied these tools to various situations and helped improve the quality of these techniques in hundreds of classroom interactions; their questions and enthusiasm remind me why I became a professor.

None of us gets to where we are in life on our own, we are indebted to countless people who have influenced. In my case, my biggest influence in management was Dr. Eugene Jennings of Michigan State University. Gene was the most brilliant management scholar and thinker I've ever known. He died in 2016, and I miss being able to have him as a mentor, colleague, and friend to challenge my thinking and development. The management faculty at Michigan State in the late 80s turned me from a manager into a strategy professor, and I particularly want to thank Jim Skivington, John Wagner III, Glenn Omura, Harry Perlstadt, and Michael Moch. Before that, the faculty in the College of Business at Ferris State University set me on a path of intellectual fascination with business management. I've also been blessed to

have had wonderful parents who encouraged me to pursue education and business management as a field of study. They supported us during my days as a Ph.D. student and taught me more about life than anyone else. There's not a day goes by I don't miss them; I know they'd be happy to see my name on the book.

Finally, my family. Kathy, my wonderful wife, has stayed by my side for 36 years, 2 major moves, career changes, and children. Somehow during all of that she managed to get her own Ph.D. as a counseling psychologist, and I've learned a lot from her. She is the solid foundation of our family and makes it possible for me to pursue all of the academic and organizational work, and she was there for me along the path to getting this book done. I can't adequately express my thanks for her support. My daughter Alex, has Dad wrapped around her little finger; she's a terrific person and makes me proud every day that I had a part in her upbringing. My son Andrej is my golfing partner, flyfishing buddy, hockey hero, and friend. It's an honor to be their Dad. They put up with my long hours in the study working on books, articles, classes, etc. I could not be where I am without their support. I'll be forever indebted to them for their love.

Joint Acknowledgments from Steve and Aaron

Aaron's daughter, Alex, spent hours of her time and applied her English degree to read through the manuscript for us while still in draft and make numerous corrections to improve the writing quality. She spent hours going over the book line by line and cleaning up our material, and we can't thank her enough for her efforts. (Aaron did promise her she would never have to read the word "strategy" again in anything he wrote.)

We would both like to extend a special thanks to our team at Emerald. Our Editor, Charlotte Maiorana, believed in the concept early on and went to bat for us in getting the book accepted for publication; her enthusiasm and positive attitude were invaluable in keeping us going through the process. Nick Wolterman, our

Assistant Editor at Emerald, likewise hung in there with us and made sure we successfully navigated through the steps in getting the book into print. They felt the tools and stories were as relevant to today's business world as we do, and we appreciate their hard work in bringing this book to fruition.

Introduction

In September 2004, Steve Fairbanks walked into a medium-sized manufacturing company in northern Iowa as the new CEO. The private equity firm that owned the company had hired him to turn around a business that had been going downhill for two and a half years; the value of the company was decreasing fast. The usual slash and burn efforts had been tried — budgets had been cut, assets reduced, and capital frozen — with little effect. There was no strategy or plan. All Steve had to do was reverse the trend of 10 consecutive quarters of company devaluation by the first quarter of 2005. That, and rescue a business that was vital to the local community. The pressure was clearly on.

Fortunately for the firm that hired him, they got a CEO who was prepared for the challenge. In his career, Steve had already demonstrated success at running similar manufacturing businesses. During that time, he'd developed a set of tools that had proven to be effective and valuable in generating significant improvements in company results. Now, if he could just apply those tools to the current business, maybe the company would have a chance.

Steve called his team together and began to share the tools he'd developed. They analyzed the market and identified the strategic customer segments. Processes were reviewed and improvements identified. Milestones were established. Critical factors were set and programs put in place to address these needs. In 90 days, the team had put together a comprehensive strategic plan for the Board of Directors to review. The Board's take: "Looks great on paper — now execute it." More tools were applied to drive action,

and the team delivered. After 6 months, the company showed positive market share growth and an increase in quarterly valuation.

They didn't stop there. After 2 years, revenues had increased by 50%, almost FOUR TIMES the industry average, and earnings had doubled. In 2008, the Great Recession hit — yet the company continued to grow revenues and earnings in an economy that was destroying other manufacturers. In 2009, in the depths of the recession, when hundreds of business were being shuttered and factories closed, the company actually OPENED a new plant to handle the growth. By 2011, the business had doubled sales and tripled earnings. The Compound Annual Growth Rate (CAGR) for 2004 through 2011 — including the Great Recession period — was over 10% for revenues and over 16% for earnings (keep in mind that the U.S. economy was growing less than 4% during this same time period). The owners were very, very happy with the results.

This wasn't the only time the tools had been used effectively. In another situation, Steve was appointed CEO of a company that was in what the banks termed (in their usual understated manner) a “distressed situation.” Lending covenants had been broken, the company's future was in jeopardy, and the situation required immediate reversal if the business was to be saved. In the same way, and within 90 days, the tools were used again to construct a winning strategy and plan. The lead bank retained one of the largest consulting firms in the United States to review and test the plan. The consultants' response? The tools used to develop the plan were “fantastic,” and this was one of the few companies in this situation the consultants had seen who actually “got it.” The results? Over the next 5 years, revenues grew at a compounded rate of nearly 10% per year, gross margins grew by nearly 25% per year, and earnings grew almost 70% per year. The bank went from being the harshest critic to the company's strongest advocate, even encouraging the firm to now borrow more money to support further growth.

Every manager who has walked into a new job or a new company and has been charged with improving business performance and increasing results understands these stories. The manager

comes in, sits down at their desk, and says, “What do I do now?” The challenges are significant and the problems are real. Resources are constrained and the clock is ticking; bosses and owners expect results now. Managers don’t have years to figure out what to do. They need real, practical tools and processes that will enable them to analyze the situation and make the right decisions to drive future success right away.

That’s why we wrote this book. It’s for every manager who has ever been put into a situation where they were expected to quickly and effectively improve organization results — and we’re betting that describes most managers. They were put there because they have the knowledge and experience to do the job. Now they need to apply that knowledge and experience effectively and quickly. How can we make it easier for them to do so? That’s what the tools in the book are intended to do.

The bases for many of these tools aren’t necessarily new; many of these concepts have been available in the business literature for some time. The real-world need was to embrace and adapt the powerful strategy ideas that were out there into a framework that would work in organizations that are constrained in both time and resources (which, if you think about it, describes virtually all organizations). *The goal for each of the tools is meaningful and actionable results in hours and days, rather than the more typical weeks or months.*

The positive feedback we’ve received from those who have been exposed to and employed these tools has been eye opening. The success that has been achieved by organizations that use these tools speaks for itself. It has been especially gratifying to see these tools applied across public and private organizations, small-cap and Fortune 500 companies, service and manufacturing firms, for-profit, not-for-profit, governmental, and charitable organizations. These tools are universally applicable — and they work.

We think we can create value not only by sharing the tools with the reader, but by demonstrating how to construct and use the tools. And we provide real-world anecdotes of how each tool has been successfully applied. This is not a conceptual or theoretical

discussion of strategy and planning. It is a practical book with proven tools and the guidance on how to properly use them to drive business results. If even one of these tools resonates with the reader and helps them make a better business decision, the pay-back can be substantial. We know, because we've done it.



What Is Strategy?

Strategy Question: *Is there a simple “real-world” definition of strategy?*

The Definition

This is a guide to using various tools for strategic analysis and planning purposes, so we need to first define what we mean by using the word *strategy*. It is a good word, an old concept, but it has been overused so much throughout the years that it has lost a lot of its meaning. Before we get too far into the tools, we want to present an overall framework for understanding strategy, both to provide a clear understanding of the concept and to provide a framework for the tools.

The word “strategy” comes from the Greek word “*strategos*,” literally meaning “general of an army.” Strategy has its roots in the military; originally it meant the decisions and directions of the general commander of a military force in conflict with an enemy. The dictionary defines strategy as “the commitment of resources to support adopted policies, usually in time of war.” So the basis for strategy is conflict. It involves making decisions and directing resources and actions toward a desired end goal.

Fortunately, in most organizations, we’re not in armed conflict with our competitors. But we are competing for customers, revenues, and market share. Or in a not-for-profit organization, we’re competing for funding or grants, for clients and services. Inherent in strategy is this idea of a competitive environment in which

firms struggle for access to the resources necessary to survive, grow, and prosper. This idea of competition for scarce, limited resources is fundamental to understanding the reason for strategy in organizations.

Unfortunately, executives seem to like the word “strategy” or “strategic” so much that it has become overused in their organizations. Today we have marketing strategies, human resource (HR) strategies, information technology (IT) strategies, operational strategies, financial strategies, and more. We have a strategy for this market or that group of customers, a strategy for dealing with the government, and a strategy for growth. We strive for strategic leadership in our industry, with strategic product placement and strategic innovation based on strategic research and development activities. The problem is, when everything is a strategy, nothing is strategic. Our ability to communicate and to understand our management decisions and actions becomes difficult due to the confusion created by our use or misuse of this single word.

Having multiple “strategies,” like a supply chain strategy and an advertising strategy and a growth strategy and an innovation strategy, doesn’t mean your organization is strategy rich. In our opinion, the more “strategies” you have, the less likely it is that your organization has a strategy at all. There’s a quick acid test for strategy: if every manager in the organization can state, clearly and succinctly, what the organization’s strategy is, then odds are good you have a strategy. If no one can state in a clear, simple, and easily understood manner what the strategy is, then you probably don’t have one. It doesn’t matter what your official documents say; if the people in the organization cannot state a common strategy for the enterprise, then the organization doesn’t have a strategy, because the actions that individuals are taking are not bound together in an integrated way toward a common, shared objective. There may be nice words on paper, and they may make managers feel good, but there’s no strategy.

Over the years, and with experience and time, we have narrowed down the definition of strategy into one that captures both the competitive nature of organizations and the essence of strategic decision-making and execution. We’ve worked with and talked

to countless managers in diverse organizations. We've seen all kinds of conceptualizations and definitions of strategy. We've seen numerous strategy statements, the good, the bad, and the ugly. And we've studied the works of the major writers, researchers, and strategy consultants. From this, we believe we have been able to distill it all down to a practical definition of strategy:

Strategy is an integrated set of resource commitments and actions that position an organization within the competitive environment so as to generate superior results over time.

We'd like to break that definition down to be sure that we begin by having a shared understanding of what these tools are intended to produce and support.

Integrated — The first thing that needs to be understood is that strategy is purposely intended to integrate all the various functions and activities of the organization. By nature, strategy is inherently integrative, involving all the elements of the firm.

Nothing happens in isolation in an organization. Every activity, every function, is inherently linked to everything else. A decision to increase market share requires product or service development and expansion, HR commitments, financing to support growth, and information support. Reducing costs affects HRs, operations, finance, marketing, and so on. Hence, integration across the various functional areas or disciplines of the enterprise is fundamental to strategy.

The activities are not just integrated, though, the activities are integrated in varied, complex, and numerous ways. So even if it were possible to isolate the actions of each functional area, it isn't possible to isolate the relationships among these because of their complexity. As a result, every strategy will touch all aspects of the enterprise, and therefore all elements of the organization have to be considered in developing a strategy.

Set of Resource Commitments — Like the classic dictionary definition, strategy involves the commitment of resources — human, financial, and capital. These are the basic resources of any organization: people, money, and assets. Strategy requires that the managers of the organization make decisions about how to apply these resources, and it is the commitment of those resources that comes to define the strategy of the organization. We want to distinguish, then, between an organization's stated strategy and the actual strategy. Organizations make a lot of statements about what their strategy is, but the commitment of resources is what operationalizes the strategy and makes it real. An organization that claims to be pursuing a strategy of innovation yet never commits people, money, or assets to innovation isn't likely to come up with too many innovative ideas. No resources, no strategy.

As economists constantly remind us, these resources are scarce, limited, and finite. That's what gives rise to competition: the struggle for scarce and limited resources, which in turn defines the nature of market competition. But it is this property of resources that also necessitates the development of strategy, because it is not possible for firms to do everything. No organization has an unlimited amount of resources. Since resources are scarce and limited, strategy involves making tradeoffs — making decisions about where, when, and in what amount to apply the limited resources available to the manager. The old strategy truism "an organization cannot be all things to all people" is based on this innate requirement of tradeoffs among resource commitments. Executives have to decide how to allocate a fixed set of resources among alternative potential uses in order to drive the right behaviors and outcomes. This is the nature of strategy.

Actions — Strategy is not a concept; it is not words on paper, it is not a three-ring binder with charts and tables and graphs, and it is not a list of Critical Success Factors or project plans. At the end of the day, strategy is about people **DOING** things. Strategy requires actions, actions that involve the use of people, money, and assets (hence the commitment of resources). If, at the end of the strategy development process, the organization has nothing but words on

paper, or if no one actually does anything, then the process (and the strategy) will be a failure.

Strategy is not passive; it is active. It is real people spending time, energy, and effort on various activities that cause things to happen and that create meaningful change in an organization. These activities, as we've noted, are integrated with hundreds and thousands of other activities in the organization in complex ways, but ultimately it is these actions that define what the strategy is in practice. We distinguish, then, between an organization's strategy CONCEPT (what we say) with the strategy PRACTICE (what we do). Of these, it is the latter, the actual practice of the strategy, that is in fact the real strategy of the organization.

Position — Since strategy is by nature competitive and occurs within a competitive environment, then it follows that the goal of strategy is to secure for the firm a particular location within that environment, based on the unique commitments of resources and the integrated actions undertaken by the organization. This location is defined relative to all other organizations by the distinctive application of those resources and the resulting activities that occur based on those resources.

It is these unique commitments of resources and actions that give rise to such traditional strategy concepts as "distinctive competence" or "competitive advantage." What we are trying to describe through these terms is the manner in which an organization is different from all others — but different in what space? At some level, all organizations have products or services, people, money, and assets. All organizations "do" marketing. All organizations have operations that need to be managed. The uniqueness of differentiation of an organization cannot be relative to these common resources and actions. Positioning comes about as a result of the distinct manner in which resources are applied and actions are performed.

Competitive Environment — The uniqueness of the organization must therefore lie in its position — but a position relative to what? Since competition and conflict are inherent in strategy, the position must refer to the competitive space, that arena in which firms

must compete. In business organizations, the arena is the market. In not-for-profit organizations, the arena is the firm's external environment. In any case, the essential point to note is that strategy is intended to enable the firm to occupy a unique space within the competitive arena, distinct from all others. This presumes that the organization understands the environment and market(s) in which firm is trying to compete. There must be a way of evaluating or assessing the competitive space that aids managers in determining if the resource commitments and actions are effective in enabling the firm to identify and secure that space within the environment relative to others.

Superior Performance — By achieving a unique position within the competitive environment, an organization will be able to generate superior performance. In the case of the for-profit business enterprise, superior performance can be measured as returns to the owners, profitability, return on investment, cash flows, economic value added, or any of several measures. For the not-for-profit entity, performance can be measured by clients served, services provided, outcomes produced, return on philanthropy, and several other metrics. The essential point is that a successful strategy enables a firm to generate superior performance in the competitive arena through the ability to stake out a defensible, unique position based on an integrated set of resources commitments and actions.

Wow; what a long-winded, technical definition. What is it we're really trying to say? The point we're trying to make with all of this is that the proper application of strategy tools requires that we have a framework to "hang" the tools on. If we don't know what we mean by strategy, then virtually any technique or activity can be viewed as strategic. It's like trying to build a house: if you don't have a blueprint for the home you're trying to construct, then you don't know how to develop a plan to build the home and which tools to apply at which times. You're likely to wind up with a mess and a lot of frustration. But if we have a clear sense of what it is we're trying to create, then we can develop a process to achieve the goal and we can determine which tools to apply along the process to enable us to reach the desired end state.

Unfortunately, all too often we've seen organizations and executives with no sense of strategy, just this vague notion that "we need a strategy" (usually because performance is suffering or some Board member or consultant told them they needed one, or because there's some significant change in the organization's circumstances). In these situations, organizations usually hire consultants to perform various analyses or to develop a strategy for the firm based on the consultant's models and tools. The problem is that the consultant's toolkit is usually limited to a few key models or concepts, and the resulting analyses and strategies are likewise limited as a result. To continue the analogy, it is like only hiring a carpenter to build a house; you'll get a nice structure, but you might also want a plumber and an electrician to really have a livable space. Many times, strategies look like the house built only by a carpenter: a nice structure, but no way of actually doing anything.

So if it seems like we're being a bit "anally retentive" in insisting on this precise understanding of what strategy really is, it's only because our intention in providing a strategy framework relies on having an accurate conceptualization of strategy in the first place. Once we have a common concept and definition, we can begin to talk about HOW to go about developing an effective strategy. That's where we'll turn our attention next.

Practical Strategy Tools

Let's assume (now that you know what strategy really is) that you're aware that your organization doesn't really have a strategy. Or perhaps you have a strategy, but it is not effective; it doesn't tell you what your unique position is in the environment, and it isn't creating superior returns or outcomes for the organization. You know that your organization needs an effective strategy, one that can be shared among the members of the enterprise and that will guide decisions and behaviors. But you're not sure how to go about developing a strategy, and you don't want (or can't afford) to hire a consultant to develop one for you. You know the

questions you need to have answered, but aren't sure how to go about getting those answers. If this sounds like your situation, then you are the target of this book. You are the person or organization for whom this book was written. No one outside of your firm can develop a strategy for your organization; there's no way an outsider can possibly understand all of the complex interrelationships among people, assets, processes, and systems that are necessary for your company to be successful. You know that ultimately, *effective strategies need to be developed by the members of the organization*. You can't hire this out or look to consultants for the necessary experience if you want to be truly effective in your business situation. It takes intelligent, committed, and capable people inside the enterprise to develop an organization's strategy.

But you also know that your abilities to do so are limited. Most organizations don't hire people because they are great strategists or strategic thinkers; they hire them because they are extremely capable of performing the tasks necessary for the organization to be successful. However, the essential strategic question is not "How can we perform our organization's tasks better?" The essential strategy question is this: "What tasks do we need to perform well?" These are two different questions. And the skills that make a person very good at determining a better way to market a product, to lower manufacturing costs, or to improve processes over time are very different from the skills needed to analyze the future of the business and determine how to allocate resources and actions in creating the future.

How does the organization determine which position to secure in the market? How does the organization decide which tasks need to be performed in order to achieve success in the competitive marketplace? How does the business allocate resources to those tasks? These are crucial strategy questions, yet most managers in organizations have limited experience in addressing these issues. They need help, but they are justifiably leery of having people from outside the organization make these decisions for the business — managers realize that no outsider ever understands the business in the same way an insider does. Outsiders simply can't; they lack the knowledge that comes from years of

experience in dealing with customers, vendors, and service providers. They are not immersed in the organization in such a way that allows them to be able to see the web of interrelated systems and to understand how those systems and processes interact with one another to yield results. You want to do it yourself, with your own people, because no one can know your organization as you do. You want to involve others in the organization for the knowledge and experience they can lend to the decision-making process.

This book is intended to provide you with a set of analytic and decision-making tools that will help you and your team assess your situation, analyze the information, ask the right questions, and develop an effective strategy. This is for the senior leader or executive who is a type of “do it yourself-er” when it comes to strategy. You believe in your people and your organization, but you want to be able to guide them in a way that will enable you to develop an effective strategy. You just want some proven, effective tools to help people see the situation in a strategic manner and make effective strategic decisions.

We present tools in this book with this need in mind. The tools cover each area of our strategy definition. We start with tools that help with understanding the competitive environment. Next, we offer tools that will help define your current position within the competitive environment and continue with tools to help discern what, if any, actions you need to take to make your products or services more competitive. More tools are then offered to help provide understanding of the resources needed compared to the resources available, and even more tools to help with prioritization amongst actions if it is necessary (we’ve never had a case where it wasn’t). Lastly, once the plan is defined, we offer tools to help with the execution phase; without execution on the actions defined, you don’t have a working strategy — just that three-ring binder sitting on the shelf.

We have written this book so that the tools can be used individually or collectively. The chapter for each tool is actually titled by the typical strategy problem you may encounter. You can jump to any of the 23 chapters individually in any order and get the benefit of our thinking on that particular strategy problem. If, however,

you are new to strategy (especially if this is your first planning effort), consider using the structured approach defined in Chapter 2. In fact, Chapters 2–23 are actually ordered to provide helpful tools from a typical beginning to end of a typical strategic planning process.

In the remainder of this book, we are going to take you through of each of the tools one by one and explain how each tool is used. Your selection of the tool should be based on the strategic question that you want to answer. The tool and its strategic question are provided for you in the Contents. You can either select only those tools you feel you need for the strategy job at hand, or you can learn about all of the tools and, in the process, perhaps discover additional questions and tools that will help you develop a more effective strategy for your organization. However, you approach the problem, eventually you will want to learn about all of the tools available to you for strategy development. The greater your knowledge and perspective, the greater the likelihood that you will be able to develop a strategy that will enable your organization to achieve superior results.