

Business Strategy

FCEDA

Procurement Academy

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Chapter One

Properties of a Business Strategy

1. Has Champions/Leaders

2. Is Documented

- Assess Internal & External Factors to Date**
- Project Future Internal & External Factors**
- Define Future Goals (What, How, Who and When) for Organization**
- Develop Metrics for Goals**
- For Future 2 to 5 Years**
- Entire Organization Knows Strategy**
- Update at Least Annually**
- Compared to Performance at least Quarterly**

Leadership Definitions

"Leadership is the art of accomplishing more than the science of management says is possible."

GEN Colin Powell (Ret)

GOOD JUDGMENT

...Making decisions on actions to take — with incomplete data — and enacting those actions to produce positive results.

TECHNICAL LEADERSHIP

...Making technical decisions that define problem(s) and actions to resolve the problems. Then — either individually or by leading a team — carrying out those actions to produce positive results.

Leadership



Good Judgment is the foundation of Leadership

Quote from Small Business Owner

“Good Judgment comes from bad experience ... and most of that comes from bad judgment”

Some Enablers for Good Judgment

- Experience in area where decision is to be made
- Formal education that enhances analysis and decision-making
- Special training in analyses and decision-making in a competitive environment
- Quick assessment of data/info/situations driving decision
- Ability to define and live with risk
- Good listener
- Good team-leading skills
- Positive attitude that you will succeed
- Humility and Passion
- Visionary
- Strong “stick-to-it” attitude (Strength)
- Understanding of probability and statistics

Even
“born
leaders”
need to
develop
their
judgment
skills.

Environment to Formulate Strategy



Internal Factors for Business Strategy

- **Management**
- **Personnel/HR**
- **Product Line**
- **Target Markets**
- **Business Development Methods**
- **Sales methods**
- **Distribution**
- **Manufacturing and/or Service Generation**
- **Operating Processes**
- **Purchasing**
- **R&D**
- **Finance & Control**
- **Use of IT**
- **ETC.**

External Factors for Business Strategy

- **Change in Competitors' Capabilities**
- **Change in Competitive products/Services**
- **Change in Legal Environment**
- **Customer Budget Changes**
- **Customer Mode of Operation**
- **New Customers Needs**
- **Societal Preferences**
- **Real Personal Consumption Expenditure**
- **Consumer Confidence**
- **Producer Price Index**
- **Unemployment Rate**
- **USA Dollar vs. Foreign Currencies**
- **Tax Rate Changes**

Balanced Scorecard Strategy Map



Three Approaches to Business Strategy

	<u>Position</u>	<u>Resources</u>	<u>Simple Rules</u>
<u>Strategic Logic</u>	Establish Position	Leverage Resources	Pursue Opportunities
<u>Strategic Steps</u>	<ul style="list-style-type: none"> - ID an Attractive Market - Locate a Defensible Position - Fortify & Defend 	<ul style="list-style-type: none"> - Establish a Vision - Build Resources - Leverage Across Markets 	<ul style="list-style-type: none"> - Jump in the Confusion - Keep Moving - Seize Opportunities - Finish Strong
<u>Strategic Question</u>	Where Should We Be?	What should We Do?	How Should We Proceed?
<u>Works Best In</u>	Slowly Changing Well-Structured Market	Moderately Changing Well-Structured Market	Rapidly Changing Ambiguous Market
<u>Performance Goal</u>	Profitability	Long – Term Dominance	Growth

Simple Rules

TYPE

Purpose

How-to Rules

- They spell out key features of how a process is executed – is unique

Boundary Rules

- They focus managers on which opportunities can be pursued

Priority Rules

- They help managers rank the accepted opportunities

Timing Rules

- They synchronize managers with the pace of the emerging market and other parts of the company

Exit Rules

- They help managers decide when to pull out of yesterday's opportunities

Metrics – for Strategy

General

- % change in sales over time
- % change in gross margin over time
- % change in EBITDA over time
- % leverage change over time
- % change in payables over time
- % change in receivables over time
- % change in cash balance over time

Specific

- % change in time to market for new product
- Change in hiring & loss rates of key employees
- Change in training rate of key employees
- % increase in number of leads obtained
- % increase in leads turning into orders
- Change in leads to orders time
- % change in marketing cost per product
- % Change in cost of purchased materials
- % Change in facilities operating costs
- % increase in market share

Marketing is Integral to Business Strategy

Marketing Audit

- Marketing Commitment
- Service/Product
- Customer
- Markets
- Competition
- Sales
- Pricing
- Service
- Advertising
- Public relations

**Business Strategy is Key
to
Business Growth**

Other

10 Commandments for Entrepreneurs

1. Limit the number of primary participants to people consciously agree upon and contribute directly to that which the enterprise is to accomplish, for whom, and by when.
2. Define the business of the enterprise in terms of what customers buy, precisely by whom, and why.
3. Concentrate all available resources on accomplishing 2 or 3 specific, operational objectives within a given time period.
4. Prepare and work from a written plan that delineates who in the total organization is to do what, by when.
5. Employ key people with proven records of success at doing what needs to be done in a manner consistent with the desired value system of the enterprise.
6. Reward individual performance that exceeds agreed upon standards.
7. Expand methodically from a profitable base toward a balanced business.
8. Protect, monitor and conserve cash and credit capability.

10 Commandments for Entrepreneurs (CONT'D)

9. Maintain a detached point of view.
10. Anticipate incessant change by periodically testing adopted business plans/strategies for their consistency with the realities of the world market place.