



## TOOLKIT 9 – REDOING YOUR STRATEGY IN ORDER TO REVITALISE YOUR BUSINESS

- ❖ **Focus on your business strengths (internally) and market opportunities (externally).**
- ❖ **Significantly boost your profits.**
- ❖ **Create a new future for your business.**

Very often businesses get locked into an existing strategy and then find it hard to change, despite the fact that their world is changing fast.

One way of revitalising your business is to revisit and refine your current business strategy.

### A CHECKLIST ON REDOING STRATEGY.

1. **Reduce the scope of the business.** This may seem strange, but redoing your strategy normally means reducing its scope. Good strategies provide focus. For example, a building firm redefined its business in these terms: 'We were in construction but now we are in new homes development.' Success rarely comes from expanding the present scope – usually the opposite, unless of course the products and markets are in terminal free fall.
2. **Have something for everyone.** While making the picture as clear as possible, have something in the strategy for all the key people: customers, employees and investors.

Examples:

- Launch on the stock market in three years' time
- All employees to share in our success
- We will build more partnerships with delighted customers

Defining the picture in this way also enables your people to work out how to prioritise their efforts and how they can add value.

3. **Exit unprofitable markets.** Revitalising strategy normally means exiting unprofitable markets and culling dud products. Entrepreneurs enjoy adding products and services; they rarely kill them off. The arguments for staying in an unprofitable market need to be very strong indeed if they are to be endorsed by the review.

E.g., One house-builder found that it made 8% profit when it built houses for the private sector, lost 3% when it built for housing associations and broke even with local authorities. The refocusing decision became easy to make.

4. **Concentrate on profitable products, services and markets.** It is time to go back to basics. The priorities normally followed by entrepreneurs in order of importance are:

1. Sell more to existing customers.
2. Sell to new customers.
3. Develop new products/services.
4. Diversify – a low priority.

The principle is gardening (sell more to existing customers) rather than hunting (going looking for new opportunities). The principle of business focus is critical.

5. **Develop complementary products/services.** Lever existing successful products into new products.

E.g.,

3M levered Scotchtape into:

- New dispensers for wrapping presents (wrist held like a watch)
- Easy to dispense single strips
- Double sided tape

6. **Involve your people.** Get the people involved in the process that will be responsible for delivering the new strategy. You need buy in for the implementation stage, so get it right from the start.

## THE STRATEGY REVIEW

Strategy making consists of six steps:

1. Design the new strategy.
2. Test it with the key stakeholders. Is this what the investors, managers, customers want?
3. Sell the strategy to everyone, inside the business and externally to customers and investors.

4. Cascade the strategy internally. Encourage departments to translate the strategy into their own department plans, i.e., what does the new strategy mean we should be focusing upon in the sales team?
5. Implement the strategy. Do it. Much more of this later because this is the hard part.
6. Refine it. Adapt it as the business develops.

## 1. DESIGN THE NEW STRATEGY – HOW TO DO IT

**STEP 1** The strategy design process consists of making a number of decisions.

TIP: It can help to have an experienced strategic facilitator to help you work through the process. The facilitator should stick with the process and avoid getting involved with the content, by asking the following questions of the team.

In responding to the questions the answers can be captured into a strategic SWOT analysis.

1. What have we learnt from the past about our business that we want to retain in the future?
  - What are we good at – strengths/weaknesses?
  - What helps us compete?
  - What is our way of doing things that we should cherish and nurture?
  - Where do we make money?
2. What is happening in the world that affects us that we need to respond to?
  - Market trends/opportunities/threats
  - Technology changes
  - Competitors activity
3. In answering questions 1 and 2, what business should we be in, in the future?
  - Re-examine scope of business
  - Focus on strengths
  - Exit from loss makers
4. Where will we be in 3–5 years time?

- Vision
  - Customers, investors, employees
5. What markets specifically should we be in?
- Growth markets
  - Chance to use our strengths
  - Markets we dominate
6. What products/services should we focus upon?
- Focus on 3–4 at most
  - Exit loss makers

## EXAMPLE

### COMPUADD COMPUTER GROUP

Q1. What have we learnt from the past about our business that we want to retain in the future?

- Delivery on time is the key customer service issue and our performance is too variable.
- Building good relationships enables us to quote for ongoing work.
- Coming from a 'box shifting culture' we are not experienced at selling and delivering chargeable services.
- Processes are not simple and procedures don't work consistently.
- We require leading edge product development normally reserved for large players.
- Life of products is not very long.
- Product capability, consistency and quality.
- Range of peripherals and accessories vast but wish to offer to keep control of the customer.

Q2. What is happening in our world that affects us that we need to respond to:

- Cheap imports coming from the Far East reducing prices.
- Customers want a total package and support services.
- Large competitors are targeting our traditional market segments.
- Customers want to outsource more of their computer support activities.

Q3. Where will we be in 3 years time?

*Shareholders:*

- Our net profit before tax has increased year on year by at least 25%.

- We are in a position to float or sell at a multiple to earnings of at least 15.
- We have established a business plan for our sustainable profit growth beyond flotation.
- We have chosen and focused on a target market and gained market share.

*Customers:*

- We have developed a set of customer service and internal standards, which we use to measure our performance.
- We have a set of key indicators to measure our performance.
- We have refocused sales, marketing, technical and supporting functions to match the needs of customers.
- Customers recognise and value the CompuAdd difference.
- At least 80% of our sales are repeat purchases, i.e., orders from retained customers.
- At least 80% of our new business comes from referrals.

*Employees:*

- We have devolved the management of the business, creating opportunities for staff development whilst allowing the directors to develop the business strategically.
- We have a working environment, which is conducive to teamwork and encourages initiative.
- We have an improved information system and management information system (MIS) infrastructure in place providing the tools for staff to work effectively.
- Staff who contribute share in the success of the business.
- We are seen to be one of the best employers in the area.

Q4. What markets should we be in?

- Government departments.
- IT departments or large organisations whose customers are internal departments or related organisations.

Q5. What product/service should we focus upon?

- Custom configured PCs and servers.
- Peripherals.
- Services required for the installation and use of the above.

The strategic priorities become:

- Work with partners who can show us the way to start with.
- Simplify and automate processes so that quality procedures can be followed.

- Position company as one that uses tried/tested/stable technology.
- Internal skills to monitor market place for opportunities and developments.
- Stock managed efficiently (aim to always have what is required and minimise inventory).
- New products and components tested by skilled technicians prior to being offered for sale.
- Proactive approach to quality control systems – standard configuration for manufacturing PCs (i.e., consistent slots and drivers).
- Direct delivery service from distributors to customer to reduce stock holding costs, handling, exposure to obsolescence and keep range broad.

The initial actions were:

- Restructure the existing Board.
- Appoint Dave Osmond as Operations Director.
- Set up weekly cross-team meetings.
- Undertake internal management development programmes for supervisors and department heads.

In a larger more complex business it can be useful to summarise the strategic review into a strategic SWOT and then to prioritise the issues. The next example, a large Bakery was a good example.

### **EXAMPLE-STRATEGIC SWOT ANALYSIS – 'A' Bakery Limited**

Legend:

First letter	H = High M = Medium L = Low	Impact on the business + or -
Second letter	H, M or L	Urgency to take action or exploit.

HH should be considered for inclusion for the strategy.

Note: If no letter exists = Ongoing or no action required.

## **STRENGTHS**

Product portfolio	HH
Quality	HH
Quick to react	HH
Happy workforce and loyal	H
Innovative skills	HH
Production flexibility (Plant)	H
Service levels	HH
Standing in Plc	HH

## **WEAKNESSES**

Top team development	MH
Communication	HH
Logistics	HH
Capacity constraints	L
Forecasting sales	HH
Succession	M
Flexible working practices	HH
Training/development	HH

## **OPPORTUNITIES**

Reputation – Delicatessen	HH
Land to build	HH
Capital	MH/H
Market leadership in some sectors	M/H
Develop retail customer base	HH
Acquire businesses	M/H
Close factories	M/L
Cost reduction and efficiency	HH
Europe	LL

## **THREATS**

Corporate inertia	HH
Input cost increases	H/M
Competitor activity	HH
Customer consolidation	MM
Legislation – W.T. rules	H/M
Customer short term thinking	M/H

## **STEP 2 Re-shape the strategy based upon the strategic SWOT**

- HH scores should be considered for inclusion in the new strategy.

E.g., 'A' bakery decided that their new strategy should include:

- Build a new factory and target the delicatessen sector.
  - Undertake a major cost reduction programme.
  - Install a new briefing programme to improve communications.
  - Renegotiate more flexible working practices with trade unions.
  - Initiate a project to improve sales forecasting.
  - Review the logistics process and significantly improve.
  - Sell more of their existing product portfolio using their strengths of outstanding quality, and service levels; in order to develop their retail customer base.
- Each Director and Top Manager was charged with the responsibility for one of the above strategic priorities.

## **STEP 3 Sell the strategy**

- Find ways to sell the strategy to all the stakeholders so that everybody understands and buys into it.

Example:

- Presentations by the top team to groups of staff allowing sufficient time for questions and answers.
- Produce a short booklet with the new strategy and circulate it to all staff.
- Sales team do presentations to key customers.
- Top team presents the strategy to the investors i.e., bank or corporate HQ.

## **STEP 4 Cascade the strategy**

Cascade means encouraging departments and teams to take the overall strategy and to work out how it affects them and how they will contribute to it. E.g., the strategy calls for selling our competitive advantage more effectively to retail outlets.

Therefore what's our plan to do that?

### **EXAMPLE – CASCADE**

STRATEGY : Sell more to retail outlets.

Sales team therefore decide that in order to deliver the corporate strategy and sell more to retail outlets they will:

- Conduct a customer survey to identify current customer perceptions.
- Identify core strengths and ensure they are sold by all concerned.
- Initiate a sales training programme to increase sales effectiveness.

TIP: The cascade step is often missed particularly for some reason in UK businesses, therefore the strategy floats around at the top of the business like thick cream on coffee. Don't make this mistake.

## **STEP 5 Implement the new strategy**

This is the tough part.

Here are some of the ways successful businesses implement their strategies:

- Make someone responsible for each action point.

- Build the strategy into the annual business planning process.
- Brainstorm the blockages to delivering the strategy and remove them as a team.
- Re-establish key indicators to monitor the progress in implementing the strategy.
- Meet quarterly to review the success of your implementation plans.
- Ensure the reward system encourages people to deliver the new strategy.
- If the new strategy calls for a change in your culture then consider completing the culture change toolkit.

# TROUBLESHOOTER

## **POTENTIAL PROBLEMS**

The information system is not well developed enough to be able to analyse the profitability of the products market.

The strategy exercise is theoretical i.e., spending too much time wordsmithing mission statements.

Managers are too busy with existing operations to implement the new strategy.

## **SUGGESTED REMEDIES**

*Make it a top priority for the finance team to improve the costing system.*

*Ensure you follow the process outlined in the toolkit. Your aim is to refine your products and markets.*

*Make strategy a top management priority – no excuses. Make the resources available to free managers up to work on the strategy.*