



Is your organization thinking strategically?

Given today's complex business environment, strategic thinking is essential for sustaining a long-term competitive position. Corporations recognize this and invest ample resources towards strategic planning efforts. However, small to mid-sized companies often fail to engage in strategy development activities. As a result, subtle changes in the competitive landscape go unnoticed and once a new technology, process or change in cost structure enters the marketplace, the incumbent's competitor advantages disappear. In response, the organization goes into reactive mode; playing catch-up rather than proactively embracing new opportunities.

The lack of strategic planning in the smaller sized companies can often be attributed to a lack of time and understanding. Owners and company executives tend to become absorbed with the daily operations of the company; focusing on the immediate and not the long-term. Contrarily, some company owners may recognize the importance of strategic planning yet are hindered by a lack of understanding of the processes. Although vast volumes of books have been written on the subject of strategic planning, many address the needs of a large corporate entity and speak of complexities that are not applicable to the smaller organization.

Strategic planning does not necessarily need to be a complicated process involving elaborate planning tools. In its simplest structure it can be described as the development of a long-term company positioning based on that which provides value to customers and shareholders. It requires knowledge of the fundamental industry shifts and how customers and competitors are responding to those changes. Flexibility is an inherent characteristic, required for continuous change and adaptation. Evaluating strategic options is based on identifying those choices that are most capable of providing value for all stakeholders and aligns with the organizations' vision and core competencies.

Therefore, the best place to start is to develop an awareness of the fundamental changes occurring within the industry and begin to align those changes with the organizations' core competencies. To this end, answering the following three questions can provide any sized organization with a starting point.

- (1) What business are we in?
- (2) What changes are occurring in our industry?
- (3) How can we continue to make money?

What business are we in?

The answer is not always obvious nor is it necessarily tied to the product or service offered. For example, insurance companies have long recognized that they are in the business of selling security and assurance. Small retail outlets such as 7-Eleven Stores understand that they are in the business of selling convenience. Whole Foods realized that it was in the business of social responsibility and identified a large consumer base that would respond to this message. The chain has been rewarded with higher margins than commonly seen in a traditional grocery store. On a similar note Starbucks recognized it was in the business of providing an experience. Against analyst predictions the chain has continued to charge above market prices and engage in an aggressive expansion strategy.

Companies who understand what business they are in are better adept at identifying niches, following trends and responding to market demand. With such inherent flexibility they are more successful at formulating sustainable businesses models.

What changes are occurring in our industry?

New technologies can change the competitive landscape overnight. Moreover competitors may come out from unexpected places. For example, snack food companies now compete with technology companies, as both candy bars and music downloads compete for teenagers' discretionary income.

Maintain constant dialogue with customers, suppliers and industry experts. Schedule quarterly meetings with your sales people to learn what they are hearing in the marketplace.

How can we make money?

Recognizing the core competencies of the organization is key to building strategic flexibility. The only way to maintain a competitive edge is to continuously innovate, through new technologies, better internal processes or more efficient distribution channels.

Core competencies can be repackaged, stripped down, rebundled and reconfigured in order to appeal to a changing marketplace. Technology companies have a thorough understanding of this concept. The first introduction of the product is quickly followed by the advanced model only to be succeeded by the stripped down less expensive model; thereby appealing to the larger consumer base. McDonalds built an entire marketing campaign around a happy meal which was simply a bundling strategy.

By answering the three questions above, your organization can begin thinking strategically. Independent of size, all companies must participate in strategic planning activities. In the new economy, knowledge has trumped raw materials as the essential capital and strategy formulation and execution is crucial for long term business success. Don't get blind sighted by your competition. Playing catch-up never puts you in a good position.

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