

Strategy Formulation Primer

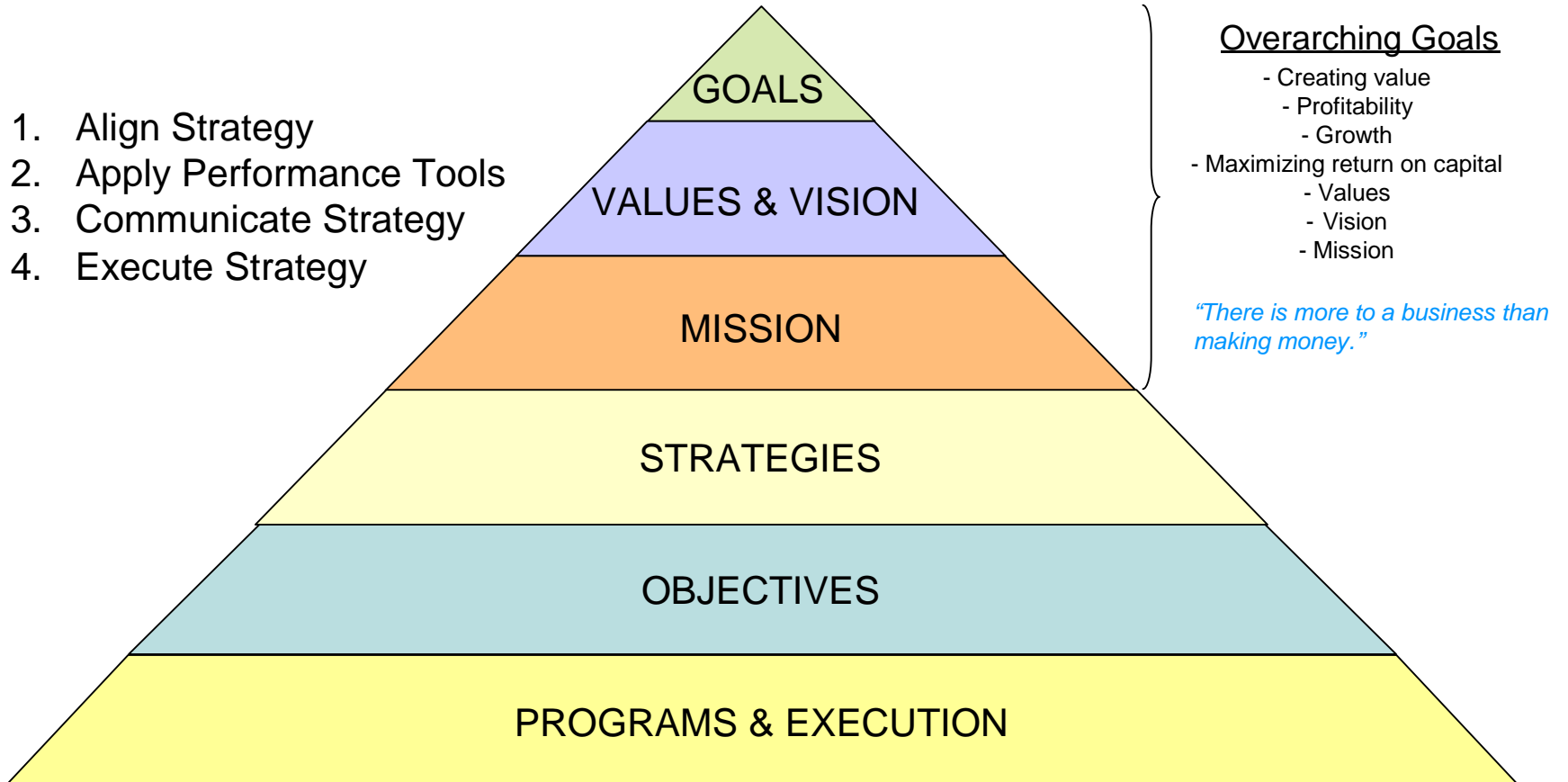
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Elements of A Strategic Plan

Alignment: Each element of a strategic plan must work together to reach the end goals.



Strategy Analysis Addresses

- Where are we today?
- Where do we want to be in the future?
- What should our new focus be today – **mission** - in order to get us to closer to where we want to be in the future – **vision**?
- Who should I target as customers?
 - Where are the best opportunities?
- What products or services do I offer them?
 - What problem do I solve?
- How should I do this to meet my objectives?
 - What strategies and tactics do I apply to achieve these objectives?

That Unique Approach

- A strategy is the “linkage” between core competencies & target segment.
 - A path for leveraging core competencies to capitalize on identified opportunities.
- A competitive strategy is all about being different.
 - The differences between what you do and what your competitors do is the basis of your competitive advantage.

Leverage Strengths



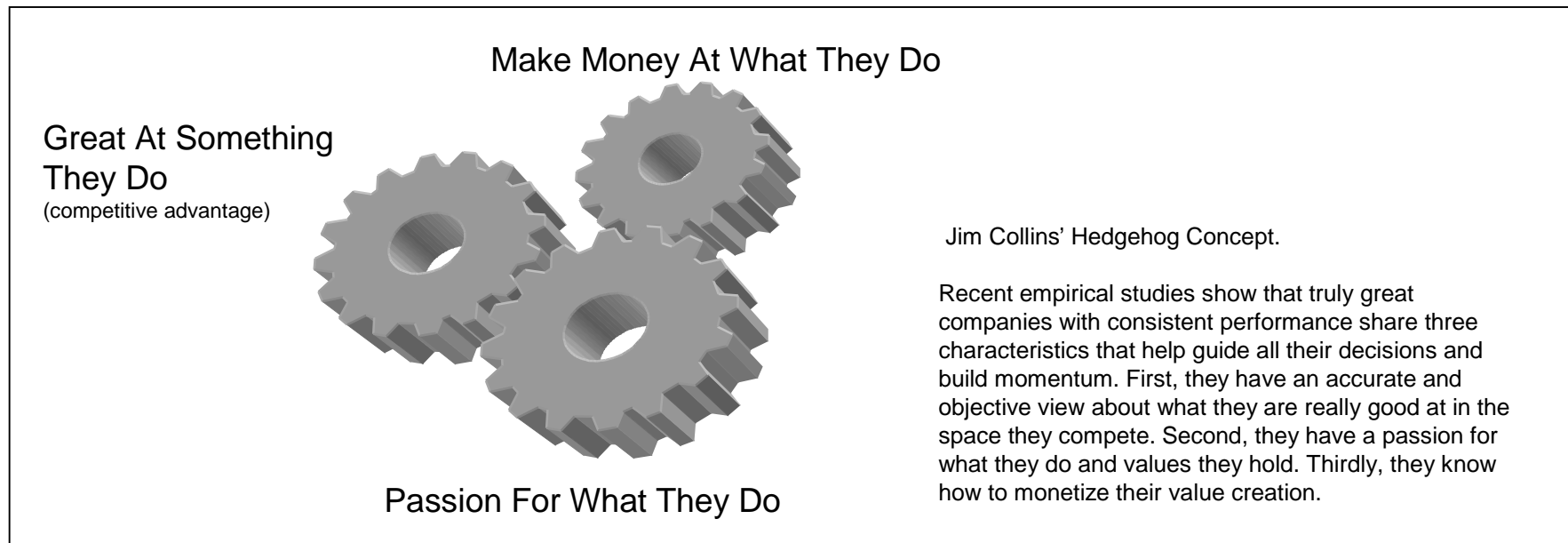
Leverage Strengths & Align Competitive Advantage

Purpose of Strategy Analysis?

- To understand the issues.
 - Not to provide answers or detailed plans.
 - To establish a decision making framework.
- To match the resources and capabilities of the organization to the opportunities that arise in the external environment.
- There is no one absolute strategy. Depending on the overarching goals, your strategy will be different.
 - You could have a strategy for shrinking growth, merger, or diversification. Strategies are not necessarily for maximizing growth and profit.

Three Primary Sources of Profitability

- Competitive advantage
- Position within favorable industry structures
- Sustainability of competitive advantage



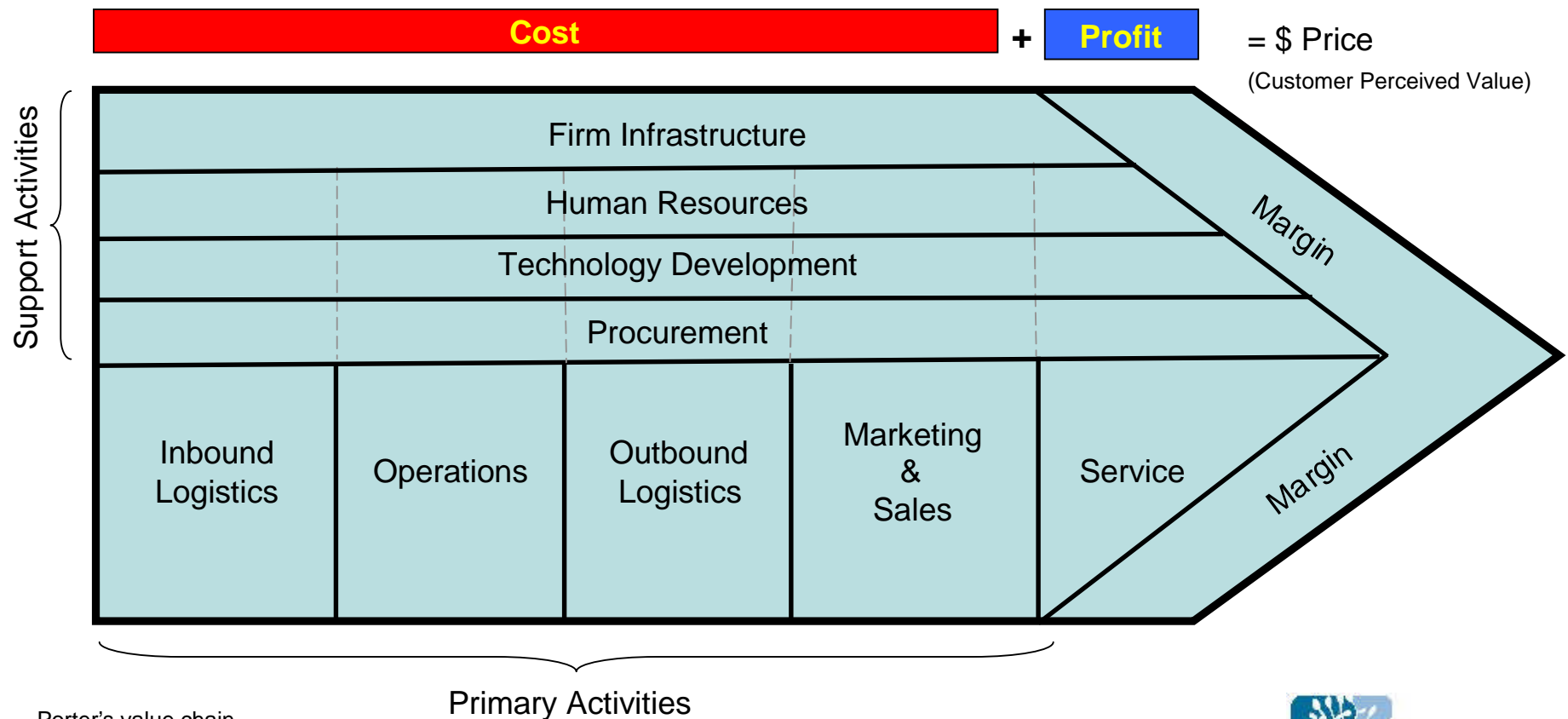
Characteristics of A Sustainable Strategy

- To have a sustainable strategy, the resource characteristic must be:
 - **Rare** (are my resources & capabilities rare)
 - **Valuable** (is my value added and resources going into building it valuable)
 - **Inimitable** (can another company develop similar product or value added)
 - **Nonsubstitutable** (is there an alternative substitute for the value added)

Elements of Value Creation:

Generic Value Chain

Visual representation of what organizations do to create value. Margin is the difference between Customer Perceived Value (CPV) and cost. The primary and second activities attribute to cost.



Porter's value chain

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Finding New Sources of Competitive Advantage

- To build a sustainable strategy, organizations should constantly be on the look out for new sources of competitive advantage to create value.
- In hypercompetitive markets devising a sustainable strategy is critical in the early planning process and organization life cycle.
 - Look at every aspect of the current ecosystem and supply chain
 - Can any of the steps along the value chain be done more effectively and efficiently
 - Technology OEM suppliers historically sell into channels. Can your offering be delivered to the ultimate end user more effectively and efficiently (disintermediation)
 - Every b2b partner or step in the value chain is inherently a cost point by definition. Hence, should be analyzed carefully.
 - Every step that can be removed and monetized becomes a savings.
 - In short “intermediation” can be an asset or liability

Value Creation In A Networked World

- By all metrics value is being created:
 - At the edge of the network
 - In shared networks
 - In more open networks
 - By decoupling information (any form of data, text, media, audio, or content)
 - By mobilizing information