

Paradigms, Vision, & Strategy

What should the organization deliver?

1. Purpose/mission/vision
2. Competitive strategy
3. Objective and goals
4. Operation principles
5. Underlying values, assumptions, and paradigms

Streams

**What is required of this organization
now and in the future?**

1. Consumer/customer requirements
2. Company requirements/expectations/"hard numbers"
3. Social, political, legal expectations
4. Competitive pressures
5. Expectations of employees

Corporate and Business Unit Strategy

CORPORATE STRATEGY

- Defines the range of business the company will pursue.
- Describes the relationship between businesses.
- Defines how resources will be deployed across multiple business units.
- Determines what activities will be shared and not shared across businesses.

BUSINESS UNIT STRATEGY

- An explicit, forward-looking, shared concept that:
- Differentiates from competitors
 - Focuses business resources and employees' actions
 - Builds capability
 - Identifies a unique way of organizing
 - Links and aligns work
 - Is difficult to imitate



Two Types of Business Unit Strategy

Operational

- Defines how the mission, vision, and values are implemented
- Creates strategies needed to make change(s) happen
- Establishes partnerships or alliances essential to meet the competitive strategy choice
- Determines how to balance performance and capability development
- Prioritizes the most important gaps to close, given the competitive strategy choice

Competitive

- Provides a framework that clarifies focus, direction, and priorities
- Forces trade-offs about what the business will and will *not* do
- Describes the unique benefit customers experience - market distinctiveness
- Positions the business to beat competitors - advantage
- Challenges the rules of the game
- Positions an organization to win in multiple, future business scenarios



Rules: Strategy

- **Business unit strategy should balance both operational and competitive strategies.**
- **Operational strategy should define how the mission, vision, and values are implemented.**
- **Competitive strategy should provide a framework that clarifies focus, direction, and priorities.**



Strategy

What strategies do we need to:

1. Make the Mission, Vision, and Values happen (operational)?
2. Differentiate ourselves in the eyes of our customers (competitive)?

Individual

- What steps must be taken to achieve the Mission, Vision, and Values? Write down 5-8 ideas on Post-it notes. Consider the strategies need to make change(s) happen, establish partnerships or alliances, balance performance and capability development, and close the gaps found in Diagnosis.
- How will the organization create distinctiveness in the eyes of the customers? Write down 5-8 ideas on Post-it notes. Consider products, customers, and markets that should no longer be focused on, how to beat competitors and change the rules of the game, and the unique value proposition in the eyes of customers.

Design Exercises 2.1



Strategy

What strategies do we need to:

- 1. Make the Mission, Vision, and Values happen (operational)?**
- 2. Differentiate ourselves in the eyes of our customers (competitive)?**

Table

- **Review each person's answers and ideas.**
- **Group the similar answers in to affinities and then label the grouping.**

Room

- **Present each table's ideas. What is common? What is exciting? What is missing?**
- **Agree on the key strategies.**



Strategic View of Business Growth

		Product Breadth	
		Narrow	Broad
Customer Breadth	Narrow	Growth achieved through finding more of the same customer or entry into new geographical markets.	Growth tied to understanding and meeting the broad product needs of a specific set of customers.
	Broad	Growth tied to product specialization and expansion to multiple customer segments.	Danger of losing focus. Strategy must be tied to a unique concept other than customers or products.
		Is there real clarity and focus on a single strategy?	



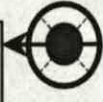
Business Scope: What Is Our Focus?

Scope	Area Of Focus And Growth	Business Examples
Product/Service	A narrow set of products taken to a large set of customers (market expansion.) Growth: product improvement and extension.	Kentucky Fried Chicken
Customer/User/Market	A single customer/user group or market. Growth: Meet the needs of the customer group with a wider array of products.	McDonalds
Production Capacity	Optimize throughput of production assets. Growth: new products that keep the asset working at full capacity.	Nucor Steel
Production Capability	A unique production technology. Find high margin products that can be created with the production technology.	GE Switching
Technology	World-class technical or scientific capabilities. Growth: Creation of new products and sales to new customers.	Sony, Canon, 3M
Sales/Marketing	A particular sales technique or style. Growth: Create or source new products that can be sold with this technique.	Amazon.com, Dell, Amway, Avon
Distribution	A unique, or proprietary, way of delivering goods and services. Growth: Expand the delivery system and maximize throughput.	Walmart, gas pipelines, telephone companies
Natural Resources	Ownership and exploitation of specific natural resources. Growth: Develop new technologies for finding and extracting the resources.	Petroleum companies, Forest companies



How Are We Distinctive To Our Customers?

Distinction	Description	Business Examples
Price	Differentiation comes from offering goods at the lowest price to customers. Success comes from creating high volume sales or low cost production techniques that allow it to maintain a competitive margin.	Southwest Airlines
Quality	Differentiation comes from the reliability, durability, or performance of the features associated with the product or service.	Cisco
Service	Differentiation comes from features <i>indirectly</i> associated with the product or service. For example, the sales experience itself, after sales support, or bundled products.	Ritz-Carlton, Nordstrom
Design	Differentiation comes from <i>unique</i> features of the product or service that other business don't provide. There is a constant stream of new product development or imbedding unique features in existing products.	Intel, W.L. Gore, Hewlett Packard
Image	Differentiation comes from the appearance or "cachet" of the product or service. Branding is one approach where packaging, name recognition, and shelf location are important to sales.	Mont-Blanc, Proctor & Gamble



So What Impact Does This Have on My Business?

Products

- What products will we offer?
- What products will we not offer?

Customers

- What customers will we focus on?
- What products will we not focus on?

Capabilities

- What capabilities will we build and invest in?
- What capabilities will we not build and invest in?



Ensuring Strategic Success

**“All grand strategies eventually degenerate into work”
—Peter Drucker**

To make strategy a reality we must:

- Create work processes that generate distinctiveness and advantage.
- Align the organization.
- Change the work of each individual.



Organizational Alignment

Organizational alignment consists of getting six elements "right".

6. Decision-Making Systems The process and authority to do the work (make decisions).	1. Work Process The way work gets done day-to-day. The process to make things better over time.	2. Structure The tools, funds, equipment, networks, and reporting relationships.
5. Reward Systems The satisfiers and disatisfiers for doing the work.	4. Development The way people are hired and trained.	3. Information Systems The right information at the right time (measures and reports).



Work Process

Differentiating among various types of work helps to establish resourcing criteria and priorities.

Two Types of Work Processes:

1. Core Work Processes

2. Enabling Work Processes



Work Process Criteria

Core Work

- Delivers/creates an organization's advantage with its external customers relative to the competition.
- Should be done at a world-class level.
- Cost should not be the primary concern when organizing and managing Core work.
- Generally, should not be outsourced—it is your real source of competitive advantage.

Enabling Work

- Does not, by itself, create distinctiveness for the customer.
- Leverages the Core work in terms of responsiveness/speed, accuracy/quality, cost, or effectiveness to provide greater distinctiveness to the business.
- Directly supports Core business processes and makes the Core work easier to do—it enables the Core work.
- When trade-offs need to be made, they should be made in favor of the Core work.



Why Do We Do It? The Difference Between

Cost

- **Focus**—No organization can be world-class in everything due to limited time, resources, and lack of focus and attention—we can't be all things to all people.
- **Strategy Implementation**—A core process is one that is at the heart, or core, of delivering your mission and strategy.
- **Clarify work**—Labeling work processes as “Core” and “Enabling” clarifies work that directly gives us competitive advantage and work that supports or leverages that competitive advantage.
- **Funding**—Knowing what directly leads to advantage helps prioritize resources and allocate the right level of time towards building the appropriate capabilities in these areas.
- **Ensuring results**—Translating strategy into work clarifies for employees what to focus on and the purpose of the work (create advantage, leverages Core), thereby meeting our strategic



Nike

Business Scope

Customer Focus: The Athlete

Customer Distinctiveness

Innovation

Core Work Processes

- **Research and Development** (Innovate quicker than competitors)
- **Market Information** (Understand the needs of our customers)
- **Image Creation** (Products used by athletes)
- **Partner Production Coordination & Oversight** (Flexible manufacturing, identify and use best manufacturers)

Enabling Work Process

- **Production**
- **Accounting, etc.**



Ernest And Julio Gallo Winery

Business Scope

Product Focus: Wine

Customer Distinctiveness

Price

Core Work Processes

- **Research** (Superior grape purchasing and processing)
- **Market Information** (Understand the market through sales controls and procedures)
- **Production** (Low cost operations)
- **Distribution** (Control channels)

Enabling Work Process

- **Growing grapes**
- **Advertising**
- **Promotion**
- **Retail sales**



Rules: Six Rights

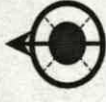
- **Prioritize changes/improvements (Core vs. Enabling).**
- **Align any changes in the Six Rights to Mission, Vision, Values, and Strategy.**
- **Ensure that changes/improvements will reinforce “desired behaviors” .**
- **Align Processes, Structure, and Systems to one another so that desired results are met.**



Organizational Alignment

Table

- **Identify the few core work processes that must function flawlessly in order to deliver the needed results and accomplish the strategies identified.** Design Exercise 3.1
- **Pick one or two core work processes. Flowchart the steps required to deliver the needed product or service.**
- **Specify the critical attributes of the support processes (structure, information, development, reward, decision making) required to make the core work process effective.** Design Exercise 3.2
- **Summarize the attributes of the support processes. Make adjustments as necessary to ensure “the organization is perfectly aligned to get the desired results”. Remember that optimizing each piece of a system usually sub-optimizes the whole.** Design Exercise 3.3



Organizational Alignment

Room

- Present each table's work. Are all six areas aligned to the strategies and with each other?

