

What is your business strategy? V2

What is the purpose of this article?

This article enables a discussion about what is your company's business strategy. The audience for this article includes: the board of directors, C-Suite, and investors.

This article is intended for business who have to compete for customers, or investors. Therefore, this article is not intended for: pension funds, sovereign wealth funds, etc.

This article does not provide tax, legal or financial advice.

You must do your own research and fact-based analysis using current and relevant information.

What are the critical learnings in this article?

- 1) Your business strategy is about making an integrated set of choices that compels desired customer and ecosystem member actions.
- 2) Your business strategy, company purpose, and North Star metric are all inter-related.

Are there different types of strategies?

There are many different types of strategies. E.g.

- 1) Business strategy;
- 2) Strategy for winning a war; or
- 3) Strategy to win at the Olympics.

The common factor is: What does success look like?

What is a business strategy? ¹

A business strategy is about making an integrated set of choices that compels desired:

- 1) Customer actions; and
- 2) Ecosystem member actions

Your company's strategy includes both the choices you've made today and the choices you've made in the past.

Doing nothing is always a choice you can make. Many leaders don't understand that they have made the do-nothing choice.

Steve Jobs supposedly said "Deciding what not to do is as important as deciding what to do"

What are the four components of a business strategy?

- 1) Desired actions: e.g. what are your desired actions for your customers? Switch from a competitor to your company? Stay with your company? Buy more from your company? Recommend your company to others, resulting in viral growth? Etc.
- 2) Compels: the desired action is irresistible for the customer. Emotion is more powerful than logic in compelling actions. Thus, you must be focusing on the heart, with additional support via logic
- 3) Choices: You have at least two alternatives, and decide which alternative(s) to execute.
- 4) Integrated set: e.g. your customers may perceive that your value proposition ² has multiple components. Each component has choices. The combined set of choices results in compelling action.

Does your business strategy reflect the purpose of your company?

Why does your company exist?

Larry Fink, in his 2018 letter to CEOs, said "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.....Without a sense of purpose, no company, either public or private, can achieve its full potential.....And ultimately, that company will provide subpar returns to the investors" ³

Bain's 2024 analysis showed that companies that delivered both stakeholder and financial value delivered better shareholder value. ⁴

Jeff Bezos quantified value creation for some members of Amazon's ecosystem in financial terms, in his final letter to shareholders in 2020. This letter included his first shareholder letter from 1997. Amazon's current CEO continues to include in his shareholder letter, the original 1997 letter. ⁵

Is your North Star metric aligned with your company purpose and business strategy? ⁶

"...having an overarching metric that gives direction and aligns all the other metrics together can be infinitely useful. The North Star metric gives you a direction that is in line with the value you offer to your customers. That direction is the single largest driver of sustainable long-term growth"

In order to determine the single most important metric for your growth model, you should look at how your product delivers value to your customers. You should be able to understand the value your customers get from your product looking at user engagement and activity level. For example, for Medium (the reader and writer network) the metric is "total time reading," for Facebook it is "daily active users," for Airbnb the metric is "nights booked,"

Why are choices about ecosystem members critical?

- 1) One example of an ecosystem member is your employees. Do current and future employees want to work for your company? Are they passionately committed to your company's success? Is their purpose aligned with your company's purpose and North Star? Do current and potential employees perceive a competitively differentiated value proposition for joining or staying with your company? What are the choices you've made to attract, retain, and develop the employees you need?
- 2) There are many more choices your company can make regarding ecosystem members.

What are the seven inter-related strategic choices you need to make?

- 1) What is the problem you are trying to solve?
 - 2) Who has the problem?
 - a) How do your potential customers describe and perceive their problem?
 - b) Which customer segments will your target?
 - 3) What is your competitively differentiated value proposition, in the hearts and mind of your target customers?
 - 4) What is the competitively differentiated talent you need?
 - a) What roles will have the greatest impact on planning and delivering the value proposition?
 - b) What are the specific capabilities of this talent?
 - 5) What are the competitively differentiated capabilities you need? E.g.
 - a) Resources such as: intellectual property, technical expertise, technology, financial, partnerships, relationships, channels, talent
 - b) There are two sets of processes: #1 processes to acquire and manage the resources #2 Marketing, sales, onboarding, off boarding, R&D, production.
 - c) What are the specific points of competitive differentiation?
 - 6) What will be the total cost of developing and delivering the value proposition? Thus includes the talent and capabilities.
 - 7) What are the values you will use in making your choices?
- You can document the key points of your strategic choices in a single slide.

What are your greatest challenges to creating a strategy that enables value creating growth?

- 1) Listening to your customers as you talk with them to understand their perception of their problems. Steve Jobs supposedly said "If you define the problem correctly, you almost have the solution". Albert Einstein supposedly said " If I had only one hour to save the world, I would spend fifty-five minutes defining the problem, and only five minutes finding the solution". Many leaders have strong opinions regarding what they think are customer problems.
- 2) Confusing a strategic plan with a tactical plan to achieve the strategy. A common definition of a strategic plan is "A strategic plan describes the company's current state, desired future state and how to go from one to the other.... business goals and projects to achieve them... 12-month action plan that lists specific initiatives". ⁷ That definition reflects a tactical plan. Including a tactical plan in your strategic plan produces a massive document which makes it very hard to focus on the actual strategy.
- 3) Not discussing and agreeing upon the values used to make your strategic choices. For example, will you include the impact on ecosystem members in your decision making – such as moving employment elsewhere if the result is devastation of local communities that depend on you. Is your "North Star" maximizing shareholder value?
- 4) McKinsey has said what strategy is not "it is not a wish list of possible outcomes".

What are your next steps?

Define the words/concepts you're using, in a glossary. I've seen major confusion when the same words mean different things to different people.

Phase 1

- 1) Prepare a strategy assessment document by reviewing your existing strategic plan. Use the above definition of strategy.
- 2) Identify what's missing.

Phase 2

- 1) Interview your board of directors and C-Suite to prepare a second strategy assessment document.
- 2) Ask what they personally think the strategy is and what they believed other director and C-Suite think the strategy is. Use the above definition of strategy.
- 3) Discuss the implications of the different points of view regarding strategy and the gaps in in your strategy.

Phase 3

- 1) Identify and assemble to right talent to make and revise the choices.
- 2) Define the process for making and revising the choices. Revisions may occur at any time. Train the decision makers. The process will also identify the required capabilities of external advisors and support people. The process must document the alternatives considered and the rationale for the choice made.
- 3) The process must describe the links between strategy and tactics, the links between the strategic plan and the tactical plan.

Footnotes

¹ Adapted from the strategy definition in the following article
"Strategy for startups-Redux" Roger Martin Medium Sep 16, 2024
<https://rogermartin.medium.com/strategy-for-start-ups-redux-e8a04a1d8b72>

² "What is a value proposition? Koor and Associates website.
<http://koorandassociates.org/understanding-customers/what-is-a-value-proposition/>

³ Harvard Law School Forum on Corporate Governance, Larry Fink's January 2018 letter to CEOs
<https://corpgov.law.harvard.edu/2018/01/17/a-sense-of-purpose/>

⁴ "Financial or Stakeholder Value? For Shareholders, Both Are Best" Bain, July 10, 2024
<https://www.bain.com/insights/financial-or-stakeholder-value-for-shareholders-both-are-best-snap-chart/#:~:text=or%20Stakeholder%20Value%3F-,For%20Shareholders%2C%20Both%20Are%20Best,Leading%20companies%20deliver%20both.>

⁵ Jeff final letter, as CEO, to shareholders in 2020
<https://www.aboutamazon.com/news/company-news/2020-letter-to-shareholders>

⁶ Forbes August 24, 2017 Andrew Miller
<https://www.forbes.com/sites/forbesagencycouncil/2017/07/19/how-to-find-your-companys-north-star-metric/#:~:text=In%20order%20to%20determine%20the,user%20engagement%20and%20activity%20level>

⁷ I copied this definition from the website of a major organization.