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Newsletter Article

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Keep your Strategy Relevant and Win

In our newsletter of the summer of 2009 we spoke about the “New Normal” business environment having less financial leverage and more government, resulting in a slow and long economic recovery. This is playing out with 1st quarter GDP growing at only 1.8% versus historical growth rates of 4-5% for this stage of a recovery. To date, a laser like focus on the short-term has allowed companies to weather the effects of an uncertain business environment. But the long-term viability of an organization is dependent on its ability to anticipate when to change its strategy in order to assure its relevance in the marketplace is maintained. Uncertainty will be a constant as the slow economic recovery continues and heightens the need for organizations to be able to successfully adapt their strategies to a volatile external environment.

Failing to understand the changes of your external environment can have disastrous effects. In the case of Blockbuster Video whose revenues were flat in the early part of the 2000's, senior management thought their business was healthy and did not change their strategy fast enough. Blockbuster did not adjust its strategy to deal with the likes of NetFlix and Movies on Demand. The result: Blockbuster management had to sell the company in a bankruptcy auction earlier this year. On the flip side, understanding your external environment can accelerate the growth of your business. In the case of Clamato branded U.S. juice drink, Clamato had attractive high unit profitability, but management was frustrated with its inability to generate significant volume growth as a mainstream juice drink. By understanding the primary consumer and intersecting demographic trends, management repositioned Clamato as a Hispanic brand. The new positioning strategy resulted in more concentrated marketing investment and multi-year double digit revenue growth for Clamato in the fastest growing U.S. ethnic market.

In order to be in a position to anticipate the need to change an organization's strategy, we believe you need to look beyond measures like revenue, basic market share, and customer satisfaction, which monitor the direct impact of the organization's efforts. When the organization formulates its long-term strategy, it will usually conduct a form of SWOT analysis to understand the organization's internal strengths and weaknesses, as well as the opportunities and threats of its external environment. In most cases this is a onetime analysis during the strategy development cycle, and the findings of the SWOT analysis form the foundation of strategic choices of the plan. To be able to anticipate a change in strategy, it is necessary to monitor and test external assumptions (political, economic, social, technological, environmental, and legal) regularly, not just during the strategy development cycle. By scrutinizing these interrelated external environmental assumptions on a regular basis, it provides the opportunity to uncover new winning strategies ensuring ongoing marketplace relevance.

We find that in many cases senior managers don't monitor their external environment regularly, primarily because they have not made strategy a continuous



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Strategy Management Insights

“Resistance to Change is often just a lack of clarity. Ambiguity is the enemy of change.” So says Dan Heath, co-author of *Switch: How to Change When Change is Hard.* He was referring to change in the context of organizational leadership and employees. It's not that employees may not want to change. They may just not understand what change you want, or why, or how to go about it.

process. In other cases, the organization has a continuous process of strategy management, but has not developed a capacity to effectively monitor the external environment.

Is your strategy process capable of anticipating and adapting to emerging external environment changes? If not, are external forces challenging your marketplace relevance? We would be interested in your comments.

AlbuInfo

Albu Consulting is a strategy consulting firm with a focus on establishing strategy management as a core organizational competency. We work closely with Owners/CEOs of middle market companies building greater value by developing robust strategic plans and strong implementation capabilities.

Our mission is to help our clients achieve the results they want by:

- Accelerating top line growth by focusing resources on high value-added initiatives
- Improving profitability by optimizing the value chain.
- Building an organizational climate that fosters innovation and collaboration.
- Establishing execution management as competency to capture the strategy's full value.

Learn more about Albu Consulting on our website at www.albuconsulting.com.

Please contact us directly for a confidential discussion about the challenges you face, or if you know of someone that might benefit from our services, we would welcome the referral.

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Are you being as clear as you can be when explaining to your team what should change and why? At Albu Consulting, we work hard to instill with our clients the importance of clearly communicating to employees the strategy and changes required for the plan to be successfully executed. This is not a onetime event, rather an ongoing process of explaining what needs to change and why, and then providing the resources necessary and encouragement to ensure change happens.
