TOWARD AN INTEGRATED FRAMEWORK OF STRATEGIES THAT WORK

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ABSTRACT

Although competitive strategy is extant in the core of strategic management, years of academic research have not fully resolved the questions *what qualifies as a competitive strategy* and *how do such strategies lead to superior performance?* Strategy is about making clear, focused choices, and about identity through differentiation: of consumer base, products and services, their value and customer rapport, and a definite plan that realizes this vision. Recent work has indicated as much, but presented here is a substantive image of what focus and differentiation mean tangibly, presented in a testable framework for the benefit of real world managers.

INTRODUCTION

While the effectiveness of a business with a successful strategy cannot be denied, many managers feel lost when dealing with nebulous concepts of strategy that they feel often have intangible results when incorporated into their business model. It is common wisdom that without a strategic implementation of resources efficiency is lost, and with it the profit margin shrinks. Disorganization, fragmentation, and miscommunication of goals and initiatives all lead to inefficiency and waste, but how can theory based examples of strategy be implemented by non-academics in the business world?

STRATEGIES THAT WORK

'Strategy,' as it is defined, has been used in any way an executive chooses to throw it around, and is often implemented in a limited way, such as only to marketing and sales or only to high level management. In this way, companies are going through the motions of strategy as opposed to approaching strategy in a clear and unified manner, with an emphasis on focus and clarity of purpose as well as differentiation of product, services, consumer base, and implementation via a game plan. By answering four critical questions in innovative and integrated ways, a framework for a fully customized business strategy is built, and this strategy must be implemented across the board for maximum effectiveness.

These questions are: *Whom do we serve? What do we provide? What is our value proposition? How do we realize this?*

Whom do we serve? Who are our targeted customers? Who are not our targeted customers? Companies focusing on one strategic segment have an advantage over companies that attempt to address various marketing segments simultaneously. For instance, European easyJet targets those customers who pay from their own pockets, while traditional airline companies, such as KLM and British Airways, have business travelers as most valued customers. When British Airways wanted to attack the low-cost carrier market, it set up GO to compete with easyJet and Ryanair, while retaining its traditional business traveler focus for the primary SBU. However, when GO was part of British Airways the temptation was to constantly seek synergies in the value chain. But the so-called synergies exploited in various parts of the value chain were neither optimized for the low costs necessary for GO, nor for the full service necessary for British Airways. For them, addressing various strategic segments involved significant compromise costs, which can be high when focused competitors operate in the market. [1]

The second question to be answered is: *What do we provide?* What services or goods do we offer to our targeted clientèle? Where possible, companies should offer products or services of value to customers that are unique in the marketplace. Differentiation through product innovation can help build a competitive advantage, whether the innovations are incremental or the standards for the next-generation of products or services. The literature on product innovation is vast, indicating the potential product innovation has as a foundation for competitive advantage.[2] Questions that are raised here are: What new product features to add? How to improve the performance of our products/services? Should we change the product's design, look and feel to the buyer? When answering those questions, managers should not only focus on just their products or services, but should look at the customer's entire experience. By looking to the entire consumption chain, managers can uncover opportunities to position their offerings in totally new ways.[3] The traditional business of a bookstore had been defined as selling books. Barnes & Noble thought more broadly about the total experience people seek when they buy books. People like to search for books, if you provide the right environment. And this is what B&N did: it created superstores with a huge selection of books, it hired knowledgeable staff, it extended the range of store hours, and created a wholly new reading environment. Of course opportunities are useless unless the organization possesses the capacity to take advantage of the prospective break. Capacity issues of importance would include possessing the knowledge, skills, ability, technology and marketing finesse required for successful competitive action – and can we consistently provide for both anticipated and unanticipated demand.[4]

What is our value proposition? Companies produce products and services, but customers buy benefits. The desired composition of these bundles may change, with customer buying decisions usually resting entirely on the value proposition that a company offers. We define a value proposition as a particular bundle of benefits offered by the company, and being sought and bought by the customer.

Companies with a great strategy never try to be the best at everything. They overcome the constant temptation to strive for universal excellence, and rather decide to dominate on one primary attribute. In addition, they often select a secondary attribute that serves as a strong complement and helps further differentiate from the competitors. Companies with a great value proposition also realize that they cannot fall below industry par on the other three attributes previously identified in our framework, including targeted customers, products and services, and the business model. Again, the key message is simple: only through focus do consumer-relevant issues create a meaningful image in the customers' mind.

Finally, the lynch pin question is: *How do we propose to realize this?* It is important that an organization decide which activities it will perform and how it will configure individual activities, but also how activities relate to one another. Strategy is about combining activities. If firms use activities across the entire value chain to make a difference, competitive advantage will be more difficult to copy.[5] That is why firms should not only try to differentiate elements of their marketing and sales activities, but should adapt production activities, R&D activities, and general management activities (such as human resources) in order to provide more tailored products and solutions to their customers than their competitors. A traditional principle of strategic thinking has been the notion that organizations must choose between being a low-cost leader or a differentiator, since the approaches require fundamentally different competitive actions and resource commitments.

Developing strategies that work does not automatically lead to a competitive advantage and superior performance. Strategies must be implemented and actions initiated in line with the strategy. That is where a great strategy can help. Managers sometimes have the feeling that “strategy is like desert rain: before the raindrops hit the desert floor, they evaporate, creating little or no effect below.”[6] Companies with effective strategies run fewer risks that the necessary actions are not undertaken, and that strategy is like desert rain.

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