

The task is challenging. Strategists need new and refined perspectives, tools, and concepts. In particular, they need to develop competencies around six management tasks—strategic analysis, innovation, getting control of multiple business units, developing sustainable competitive advantages (SCAs), and developing growth platforms.

Strategic analysis. The need for information about customers, competitors, and trends affecting the market is now stronger than ever. Furthermore, the information needs to be continuous and not tied to a planning cycle, because a timely detection of threats, opportunities, strategic problems, or emerging weaknesses can be critical to getting the response right. There is an enhanced premium on the ability to predict trends, project their impact, and distinguish them from mere fads. That means resources need to be invested and competencies created in terms of getting information, filtering it, and converting it into actionable analysis.

Customer value. A strategy that fails to create customer value has no future. This value must resonate with a segment of customers and offer more benefits and/or lower costs than competitors. Creating that value for customers and ensuring that company profits from it over time are central tasks in strategy.

Innovation. Markets evolve and competitors imitate customer value. Therefore, it is important that the company creates new sources of value over time. The ability to innovate is key to winning in dynamic markets as numerous research studies have shown. Innovation, however, turns out to have a host of challenges. There is the organizational challenge of creating a context that supports innovation. There is the brand portfolio challenge of making sure that the innovation fits among current offerings. There is the strategic challenge of developing the right mix of innovations that ranges from incremental to transformational to ensure the company can maintain profits while also preparing for the future. There is the execution challenge; it is necessary to turn innovations into offerings in the marketplace. There are too many examples of firms that owned an innovation and let others bring it to market.

Multiple businesses. It is the rare firm now that does not operate multiple business units defined by channels and countries in addition to product categories and subcategories, countries, and product categories. Decentralization is a century-old organizational form that provides for accountability, a deep understanding of the product or service, being close to the customer, and fast response, all of which are good things. However, in its extreme form, autonomous business units can lead to the misallocation of resources, redundancies, a failure to capture cross-business potential synergies, and confused brands. A challenge, explored in Chapter 16, is to adapt the decentralization model so that it no longer inhibits strategy adaptation in dynamic markets.

Creating sustainable competitive advantages (SCAs). Creating strategic advantages that are truly sustainable in the context of dynamic markets and dispersed business units is challenging. Competitors all too quickly copy product and service improvements that are valued by customers. What leads to SCAs in dynamic markets? One possible cornerstone is the development of assets such as customer relationships, brands, and distribution channels, or competencies such as digital marketing skills or marketing analytics expertise. Another is leveraging organizational synergy created by multiple business units, which is much more difficult to copy than a single new product or service.

Developing growth platforms. Growth is imperative for the vitality and health of any organization. In a dynamic environment, stretching the organization in creative ways becomes an

essential element of seizing opportunities and adapting to changing circumstances. Growth can come from revitalizing core businesses to make them growth platforms as well as by creating new business platforms.

This book is concerned with helping managers identify, select, implement, and adapt market-driven business strategies that will enjoy a sustainable advantage in dynamic markets, as well as create synergy and set priorities among business units. The intent is to provide concepts, methods, procedures, and best practice case studies that will lead to competencies in these six crucial management tasks—and, ultimately, to high-quality strategic decision making and profitable growth.

The book emphasizes the customer because in a dynamic market, a customer orientation is critical to company success. The current, emerging, and latent motivations and unmet needs of customers need to influence strategies. Because of this, every strategy needs to have a value proposition that is meaningful and relevant to customers.

This chapter starts with a very basic but central concept, that of a business strategy. The goal is to lend structure and clarity to a term that is widely employed but seldom defined. It continues with an overview of the balance of the book, introducing and positioning many of the subjects, concepts, and tools to be covered. Finally, the role of marketing in business strategy is discussed. There is a significant trend for marketing to have a seat at the strategy table and to see the chief marketing officer (CMO) as empowered to create growth initiatives.

WHAT IS A BUSINESS STRATEGY?

Before discussing the process of developing sound business strategies, it is fair to address two questions: What is a business? What is a business strategy? Clarifying these concepts is a necessary start toward a winning, adaptable strategy.

A Business

A business is an organizational unit with a defined strategy and a manager with sales and profit responsibility. The organizational unit can be defined by a variety of dimensions, including product line, country, channels, or segments. An organization will thus have many business units that relate to each other horizontally and vertically.

There is an organizational and strategic trade-off in deciding how many businesses should be operated. On one hand, it can be compelling to have many units because then each business will be close to its market and potentially capable of developing an optimal strategy. Thus, a strategy for each country or each region or each major segment may have some benefits. Too many business units become inefficient, however, and result in programs that lack scale economies and fail to leverage the strategic skills of the best managers. As a result, there is pressure to aggregate businesses into larger entities.

Business units can be aggregated to create a critical mass, to recognize similarities in markets and strategies, and to gain synergies. Businesses that have similar market contexts and business strategies will be candidates for aggregation to leverage shared knowledge. Another aggregation motivation is to encourage synergies among business units when the combination is more likely to realize savings in cost or investment or create a superior value proposition.

There was a time when firms developed business strategies for decentralized business units defined by product, countries, or segments. These business strategies were then packaged or