



REDEFINING HOW WE IMPLEMENT STRATEGY

Our world is immersed in fast paced change. At times just adapting to continual change induces a definite level of discomfort for individuals, as well as within the companies we inhabit.



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L o o k i n g around, we find countless few similarities with the world we knew 25 or 30 years ago. How many companies and cutting-edge brands in the 70's have since disappeared? How many services, so critical to us today, did not exist even a few short years ago? The world has clearly changed, and we along with it.

Given the present state of affairs, organizations cannot watch passively from the sidelines as changes take place both on the playing field and all around us. Their strategic management departments cannot ignore macro-trends which affect their business strategies and models of operational management. Those who do not factor in these new scenarios in their decision-making processes might be doomed to disappear all together. Moreover, companies must consider that change also influences the way strategic thinking processes are approached, which will later define future lines of business, the shelf-life of strategic plans, etc.

How companies implement strategy

Given the relevance of this far-reaching issue, we at B+I Strategy are currently working on a research project aimed at discovering how companies could best formulate and manage their future strategies. In essence, the project intends to evaluate just to what extent companies ought to adapt their strategic thinking processes and planning to the present competitive setting.

Creative destruction

We are accustomed to seeing companies start up and continue to conduct business by relying on one sole line of business. Eventually, however, there comes a "time" when such a line of business peaks and becomes obsolete. It is no longer able to continue growing as desired, obliging it to be reinvented. Whatever the cause, traditional companies must come to terms with and accept

the inevitable, implementing innovation systems which would ensure ongoing competitiveness.

This idea of reinventing has been coined as "creative destruction" by Joseph Schumpeter, in which he describes the innovation process whereby new products break down outmoded companies and outdated business models. For Schumpeter, innovations by entrepreneurs are the very motor driving sustained long-term economic growth, although they may destroy the value of established companies in the process.

What is now clear is that these "development cycles— obsolescence of products and services" have shortened, requiring companies to take fresh approaches to innovation systems. In day-to-day operations, this is nothing new to quick growth organizations, long used to unpredictable environments.

Although most of the world's population lives in a developing country, they are not active participants in the global market economy as we conceive it in developed countries. They have never even been a target for western countries. Have computer companies, for example, ever considered marketing their products in such far flung places like Sudan or Chad? Instead, all these companies did was to simply transfer existing business models from their home countries to these countries and wait passively for the country to develop a middle class able to purchase their products.

As Juliana Mutis and Joan Eric Ricart point out in their book *"Innovación en modelos de negocio: la base de la pirámide como campo de experimentación"* (Innovation in business models: the bottom of the pyramid as an experiments field): ...*"this type of action evidences just how the definition of business strategies in low income markets is still at an embryonic stage. Historically, organizations have acted with clear strategic inconsistency, since they were aiming for millions of consumers, on the one*

hand, while employing business models barely adapted to these same markets on the other."

Accepted practice is for organizations to think strategically in function of the target country. Companies are developing specific and adapted strategies to stimulate commerce, in what Professor Prahalad aptly termed the *"Bottom of the Pyramid"* (BOP), thereby reaching a greater number of people. Numerous examples of this can be found in many sectors and in such countries as India, Mexico or Senegal.

Models of innovative businesses

Until relatively recently, companies managed businesses where consumer spending contributed to the lion's share of their income, and as such, business strategies were merely focused on improving cost effectiveness, while considering the business model an invariable element.

Companies who fail to understand and appreciate the changes taking place all around us, incorporating them in their respective strategies, are bound to disappear within 20 to 30 years

Enhanced by the massive incorporation of technology, the effort to innovate has spawned new business models. Some noteworthy examples are:

- *"Freemium"*: offering basic services for free while charging for special or "premium" services.
- *"Cashback"*: capitalizing on the concept of affiliate marketing on the web.
- *"Co-creating"*: companies share a virtual space with both suppliers and clients to develop ideas jointly, and come up with new products and solutions for all concerned.

Logically, incorporating these models into the market offers new alternatives, encouraging the ongoing pursuit of new solutions which would allow traditional companies to reinvent their businesses. Whether we like it or not, they ultimately alter the established order of things in traditional sectors such as media, banking, and so on.

"Quasi-online" decisions

Traditionally, organizations underwent strategic thinking processes every four or five years. Today, in our interconnected world, agreements made anywhere in the world could easily influence conditions on the competitiveness scene anywhere else, and as a consequence in a ripple effect, impact decisions and strategic positions of companies.

Given this context, circumstances demand that companies undergo strategic thinking processes in shorter cycles of time, being more vigilant to implement more frequent processes over the same period of time. Thus, strategy development is seen as a continuous process of suggesting future scenarios to find answers to foreseen changes.

Instead, the definition of strategies and their implementation has fallen almost exclusively on the shoulders of the general manager and, on occasion, on a small management team.

An ever-growing number of organizations are including a greater and greater number of people in these processes, even looking to external players to be part of the process. Including more participants means that more people within the organization get a closer feel of the company's reality, and that they will come to recognize the need for changes and to naturally assimilate the strategic challenges they face.

Chan Kim and Renée Mauborgne express this concept succinctly in *"Blue Ocean Strategy"* when they observe that: *"...in any organization, fundamental changes happen very quickly when the beliefs and energies of a critical mass of people create an epidemic movement toward an idea."*

Triple sustainability

During the course of strategic thinking processes, all too often opportunities are analyzed exclusively in economic terms. An alternative with a positive "NVP" could be suitable.

This formula today is patently insufficient. There is an inevitable nexus between the company and its wider circle, related to the capacity of its people, the availability of scientific knowledge, the existence of adequate infrastructures, and others. Consequently, any new opportunity needs to meet the so-called “triple bottom line”, that is, being a sustainable business in terms of ROI, environmental impact and capacity for bottom line”, that is, being a sustainable business in terms of ROI, environmental impact and capacity for social transformation.

Dynamic Tools

During conventional thinking processes, the most utilized analysis models have been Porter’s five forces, the BCG matrix or the SWOT analysis. Although they continue to have their place as useful tools, today, more than ever, they are showing their limitations in evaluating opportunities.

More specifically, they do not consider the different roles certain agents could play simultaneously. A good example is that of suppliers who play a double role as clients.

Looking to the future, companies require models that act as a “living portrait” to catch a glimpse of future scenarios, and which consider the essential competencies within organizations as a key element upon which to build new business opportunities.

With the goal of guaranteeing the competitive position of companies over the coming decades, we are faced with a double challenge: adapt strategic thinking processes along with strategic responses to be implemented.

As part of its constant endeavour to support companies facing these and other challenges, B+I Strategy will soon be presenting in this publication the findings and conclusions of this research.

B+I RESEARCH

DESIGN AND DEVELOPMENT OF STRATEGIES: NEW PERSPECTIVES

OBJECTIVES

- Understand and clarify the concept of strategy in business, analyzing schools and currents of thought throughout history and their implications on the management model of organizations.
- Analyze the challenges of the competitive playing field and their impact on how strategies are defined and implemented in organizations.
- Propose new ways of implementing strategy that provide solutions for future challenges, incorporating new tools, models and methods helping companies improve their thinking processes.
- Improve our strategic consulting services, incorporating lessons learned from the research project.

METHODOLOGY

- Analysis of the “state of the art” in Strategy.
- Empirical analysis of “how organizations implement strategy” by means of:
 - Surveys of a wide range of companies
 - Case studies of successful companies in their processes of design and development of strategies.
- Definition of new ways to implement strategy, incorporating new perspectives on the “how” and the “what”.
- Cross-checking project results with entrepreneurs, business executives and academics.