



Business Strategy Development— Let the Process Begin

At this point, we're about half way through our business strategy course. Sorry, no spring break, but on the bright side, there's no midterm exam either. However, there will be a final exam, but not until after you've developed and implemented your business strategy—it's pass/fail. If your company is achieving above average returns, you've passed.

Now, if you've been paying attention, you understand the need for a business strategy that gives your company a competitive advantage. This month, we'll discuss the process of how to formulate your own business strategy that will help your shop improve its performance in the highly competitive PCB manufacturing industry. However, before we start rolling up our sleeves to do the analysis required to develop your business strategy, there are several key concepts and items we need to go over.

First, it is important to realize that there are three hierarchical levels of business strategy: corporate strategy, business unit strategy, and functional strategy. Corporate strategy, at the top of the pyramid, is concerned with the overall purpose and

scope of the business to meet stockholders' best interests. In a multi-business firm, corporate strategy also needs to address the development and coordination of the various businesses to ensure that each unit is competitive and contributes to the corporation's purpose. Business unit strategy, the middle tier, is concerned with how an individual business competes successfully in its own market. Functional strategy (a/k/a operational strategy), at the bottom of the pyramid, is concerned with how each part of the business operates to allow the business unit and, eventually, the corporate level to meet its goals. Functional strategy deals with the day-to-day issues of running the business, such as resources, processes, personnel, etc. For the purposes of our discussions, we will address the business unit strategy, since this series of articles is geared toward owners and managers of PCB manufacturing companies and not a conglomerate.

Second, your company's mission and goals must be clearly defined. A mission statement defines the business in which your company competes, identifies the fundamental purpose that sets the company apart from its competitors, and describes the scope of operations in both product and market terms. After the mission statement is completed, the company's goals must be established. These goals will guide management decisions that are consistent with your company's mission. The goals should be specific and measurable. Some typical financial goals measure sales targets and earnings growth; typical strategic goals measure market share and reputation.

Now that we have the business strategy concepts down, let's discuss the process. The figure to the left outlines a simplified view of the business strategy development process.

Notice that you must examine the external environment in which your company competes as well as the internal environment that affects your company's ability to compete. Analyzing both external and internal factors is essential because it will help you to better understand the marketplace in which your company currently competes and enable you to better forecast the future business environment. There are various techniques that can be used to perform this analysis. One of the more common methods goes by the acronym SWOT: Strengths, Weaknesses, Opportunities, and Threats.¹

- **Strengths** are capabilities (i.e. skills and assets) that enable your company to gain competitive advantage and perform well in the marketplace. These should be preserved and enhanced.
- **Weaknesses** are characteristics that prohibit your company from performing well. These should be either fixed or minimized.
- **Opportunities** are marketplace trends, forces, events, and ideas. The right strategy should leverage your strengths to take

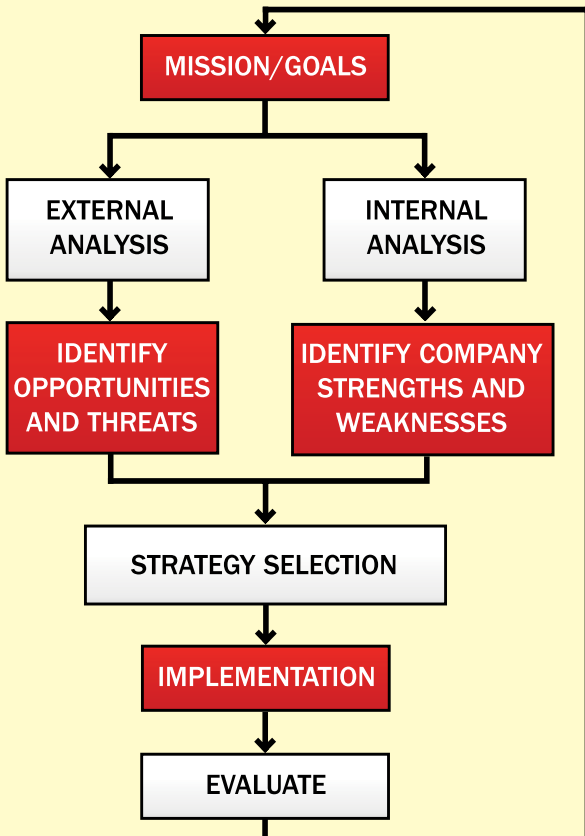


Figure 1 Business Strategy Development Process

advantage of these external conditions and help your company achieve its goals.

- **Threats** are possible marketplace events or forces outside of your control that could prevent your company from achieving its goals. Your business strategy should include a plan to guard against or minimize these potential threats.

Next month, we'll continue our business strategy discussions with a more in-depth look at external analysis.

Now, here is the homework assignment: Craft a mission statement, establish your company's goals, and begin your external analysis. One other item, I don't want to sound like a pitchman for the IPC, but anyone who can, should attend the upcoming IPC show.

In early April, the IPC APEX show will be



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held in Las Vegas and it's a great source for information on the PCB industry. The conferences and speeches will cover topics such as emerging technologies, environmental regulations, and manufacturing tool design that will improve yields. The keynote session to be given by

the IPC director of research, Sharron Star, and industry analyst, Walt Custer, titled, "Global Business Outlook: Where do we go next?", will include industry forecasts and trends. Astute owners and managers will be able to bring home a large portion of the external analysis needed to develop a successful business strategy. Who says everything that happens in Vegas, should stay in Vegas! ■

Footnote:

1. The development of the SWOT analysis is attributed to the late Albert Humphrey of the Stanford Research Institute.

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