By Paul J. Emello

Business Strategy Selection—Let's Put a Plan Together

If you have done the homework I have assigned since I started this series of articles on business strategy development, you are now ready to update your business strategy. At this time, you should have established a mission statement and company goals and completed your external and internal analyses (aka SWOT analysis). The key is to use the information you have gathered to develop an innovative business strategy that will allow your company to achieve its goals.

Most of you will choose a strategy that, according to the analysis you have performed, will give your company a sustainable competitive advantage and allow it to grow and prosper in the highly competitive PCB manufacturing industry. A few of you, after having completed your SWOT analysis, may choose an exit strategy. At this point in the business strategy development process, it is not uncommon for companies to determine that the capital invested in their businesses can be more wisely employed elsewhere and decide to divest. Anyone remember when IBM built desktop and laptop computers? Back in the 80s when the PC market was emerging, IBM did very well. However, by 2004 the market forces had changed and it no longer had a competitive advantage that would allow it to realize acceptable returns. IBM determined that a better business strategy, one that would draw on its strengths, would be to focus its resources in the information service and software markets, so IBM sold its personal computing division to Lenovo. However, I am assuming that since you are reading this article you have decided to remain in the industry. Now, it's time to put a business strategy plan together.

A successful business strategy has four fundamental elements that need to be addressed in detail (1). As you address these elements, keep in mind the goals you have established, the market opportunities and threats you have identified, and the strengths and weaknesses of your company's skills and assets.

1. Product market—Taking into consideration the market opportunities and threats you identified during your external analysis, ask yourself: What segments of the market do you want to serve? Conversely, what segments of the market do you not want to serve? Or should you consider an entirely new market to enter?

2. Assets or skills that will support your strategy—Your internal analysis identified assets and/or skills that determine your core competency. Decide how you will use these assets or skills in a way that will give your company a sustainable competitive advantage. Remember, an asset is a resource that is strong relative to your competitor's. A skill is something that your company does very well and gives you an advantage over your competitor. These assets and skills must be something your competitors cannot easily neutralize or match so you can sustain your advantage. Keep in mind the old business saying, "Innovations that are common to all bestow competitive advantage to none."

3. Functional area strategies—Functional area strategy, as you may recall from our discussion of the three hierarchical levels of the business strategy, is at the bottom of the pyramid. It outlines how each part of the business operates to allow the business unit to meet its goals. In developing your strategy you must consider the specifics on product type(s) manufactured, pricing structure, distribution network, manufacturing processes needed, personnel needed, etc. and your relative strengths and weaknesses in these areas. Then, determine how you are going to allocate your skills and resources across these functional areas to best support your strategy.

4. Level of investment—Determine the financial resources available, from both internal and external sources. It must be sufficient to fund the various possible strategies you have identified. Here too, keep in mind the company goals. If you, as owner, are planning to retire in a year or two, you may not have enough time to see an acceptable return from a new investment and, therefore, may want to opt for a strategy that does not require a significant investment.

As your fine tune your strategy, it is worth remembering my "work smarter not harder" article (2). Your strategy will need to allow you to gain competitive advantage to offset the competitive forces in the marketplace. Keep asking yourself "why should customers buy from my company?" As previously discussed, competitive strategies broadly fall into one of three generic approaches: price, differentiation, or focus (3). Therefore, the answer → 19

to the question you just asked yourself must address one of these three factors. For example, "my customers buy from my company because we have developed proprietary processes that have reduced our production costs thereby allowing us to sell our products at a competitive price and still enjoy acceptable returns." If your strategy is not clearly following one of these three strategic alternatives, you have not differentiated yourself from your competitors and you will end up being stuck in the middle. You will lose the high volume orders as those customers have the clout to demand the lowest price. You will also lose the high margin orders that are typical of specialty work to competitors that focus on that type of product. In the end you will end up bidding away any profits.

Before adopting your strategy, compare the expected outcomes for all the possible strategies you've identified. Then look at

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the worst possible outcome situation for each strategy–make sure your company can survive the worst case scenario. Once you have chosen your strategic approach give it time to be successful. Also, be careful not to flip back and forth between strategies otherwise you'll end up stuck in the middle. One final note, it is not quick or easy to change your company's direction. It is difficult and takes time to establish yourself—therefore, you'll want to make sure you are well funded in order to sustain your company until your new strategy starts paying off.

Next month we'll complete this series of articles with a discussion on business strategy implementation. □

Footnotes

1. David A. Aaker: Developing Business Strategies (John Wiley & Sons 1992)
2. Paul Emello: CircuiTree (February 2010)
3. Michael Porter: Competitive Strategy (The Free Press 1980)

Paul J. Emello, Founder and President of Capitol Technologies, LLC, is a business consultant specializing in the Electronics Industry.
E-mail: paul@cappcb.com
website: www.cappcb.com