

BUSINESS STRATEGY

HOW TO CREATE AND EXPLOIT A UNIQUE STRATEGIC POSITION AND INVENT NEW BUSINESS

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The issue is this...

Many people have great products or services. But most find that they are unable to convince their prospects and customers of their benefits with a superior offer of value. Getting the strategy right is critical to success, but many who manage – or are responsible for the strategic direction of their businesses have never been shown the best way to do it.

This costs them tens or even hundreds of thousands of pounds in wasted effort, time and resources, not to mention lost business.

Most strategy formulation is rooted in formalisation and grounded in inflexible analytical frameworks and prescription. But it shouldn't be like this!

Strategy formulation should be creative; its focus skewed on discovery and renewal. It should tackle questions such as how to produce superior customer value for a specific group of customers with changing requirements, and also on unique operations activity to put the business two steps ahead of its competitors

This short e-book is based on the view that business is exciting, turbulent and unpredictable and that there are fresh and stirring ways to invent new business... but such opportunities can only be achieved with fresh approaches to crafting great strategies! In short it describes the fundamental pillars of strategic management.

What's different about this book?

This book is based on several years of research and involvement in strategy development. Its basis is the success of strategic innovators and why these companies have been able to find something of value for their customers while getting ahead of their competitors and achieving outstanding success!

Look further and you can't fail to notice that all successful strategies share the same underlying principles. In other words the principles that drove Marks and Spencer to success over the last 100 years or so are the same that have thrust Zara to success in the early 21st century.

If you understand these principles then any manager can design a successful strategy – and that’s the basis of this book. Moreover, its focus is to show managers **what** to do to invent sustainable new business... and **how** to do it in practice.

Let’s start!

Three pillars of a unique strategic position

To be successful, a company must create and exploit a unique strategic position in its niche. This essentially means that a company must do three things:

1. Establish the purpose of the business.
2. Decide *“who”* will be the company’s targeted customers, *“what”* products or services it will offer them, and *“how”* it will achieve all this in a productive and effective way.
3. Construct the appropriate organisational environment to create and implement the choices made.

Now let’s examine these three essentials in further detail.

What is the purpose of the business?

Although very few companies actually address this question, it is the single, most important step involved in crafting a unique strategic position. Why? Because managers’ implicit and explicit perception of their business conditions everything that it sees and does– and what it will do.

An example

Back in the late 1800s, if you asked The Surrey Iron Railway Company, the world’s first public railway company what business they were in, they would have told you the “railway coach business”. So when the railways spread across the SE of England and the rest of the UK, The Surrey Iron Railway Company fought hard to stay competitive, but lost. Had the Surrey Iron Railway Company been in the transportation of people and goods business, and not in the stage coach business, they would probably have built the railways. They might, today, also be a major force in trucking, shipping, air travel, hotels and holidays.

Every area of business is in constant change. Nuclear power is displacing fossil fuels. Television has put many cinemas out of business. Word processors have knocked out typewriters and typists. It remains to be seen if computers will be replaced by computers that recognise the spoken word.

Thus, it the concept of business purpose governs the way a company sees its customers as well as its competitors, and what it regards as its decisive competitive advantage and ultimately how it will plan and implement its unique strategic position.

Who are the customers, what should you offer them and how should you do it?

The second pillar supporting a superior strategic position exists in finding answers to the questions: Who should we target as customers? What products and services should we offer them? How should we do this in an efficient way?

The questions of "*who*" and the "*what*" are fundamentally strategic; the answers to these questions, together with consideration of the underlying economics define a company's positioning and offer of superior value.

An important issue is to find and create 'space'. Space is about breaking free - free to change, free to break away from sameness and free to do something new - free to create the future, free to develop what competitors may have neglected or an area of latent demand.

An example

In selling to the home PC market, Dell did not want to sell to first time buyers because these require a lot of costly first time support and service. Instead it targeted experienced users who require limited support and who could draw on Dell's sales and support team.

So in positioning itself, Dell set about pricing its low end machines more expensively than its competitors and pricing its high-end machines less expensively than its competitors.

The effect was, as intended, that first time users preferring cheaper, lower end models went to competitors and experienced buyers wanting more advanced models opted for Dell's cheaper machines!

The issue is so important that managers should view positioning – the relationship between “*who*” and “*what*” as a major strategic task and, therefore, one that should not be wholly delegated to the marketing department!

The question of “*how*” is also strategic. The answers give rise to a distinctive activity system; in other words a means of bringing what matters to customers in a way that offers additional value to them. This means finding real differences that matter to customers.

An example

The strategic positioning of easy Jet, as a short-haul, ‘no-frills’, low-cost service for business travelers, tourists and students in Europe, rests on an interlocking system of the activities it performs to support its low-cost convenience positioning.

These include fast gate turnarounds, frequent departures with few aircraft, automated ticketing, self seat selection, meals at cost price, and low maintenance and fuel costs.

In contrast, a full-service airline, such as BA or Qantas Airways, performs activities to support a high-cost, full-service programme. It will provide customers with services to reach any number of destinations with a larger range of aircraft, as well as providing comfort, offering in-flight meals, arranging connecting flights, and checking and transferring baggage.

Both types of airline operate viable and valuable strategic positions that are built on entirely different systems of interlocking activities.

It is this that gives a company’s positioning sustainable competitive advantage. Thus if business strategy is about being different then the essence of positioning is to select and to perform activities differently, or to perform activities that are different to those of competitors.

One last point: approaching sustainable differentiation in this way is dependent on two conditions. First that competitors cannot imitate or equal a company’s positioning and second that the activities needed to support the position actually fit to each other and the company’s capabilities.

A unique strategic position is also grounded in **super productive capabilities** or **outstanding strengths** which rivals will find difficult to replicate. And there are two

sources of outstanding strength.

The first lies in what a **company is really good at doing**. Examples would be productive processes such as accuracy and cost control, speed and timing, innovation, customer orientation, highly knowledgeable people and appropriate technology and so forth.

The second source of outstanding strength is **differentiating capability**. Again examples include a company's reputation, supply chain relationships, a form of natural monopoly, such as market leadership, sunk costs or some form of exclusivity such as the sole rights of production.

Some examples

Consider for a moment what these companies are exceptionally good at doing: **Duracell** (a reputation for making long life batteries), **Dell** (assembling computers), **Nike** (marketing sports shoes) **Black and Decker** (producing small electric motors), **Google** (creating internet rich solutions), **Coca Cola** (producing a popular drink with a patent), **M&S** (great customer service) and **Apple** (customer centric innovation).

Build an organisational environment of implementation and momentum

Given sufficient time, vision and enterprise any company is capable of designing a unique strategic position. The tough part occurs when it comes to implementation. The translation of strategy into action is usually an incredibly weak link in exploiting a superior strategy.

Thus the third and final pillar supporting a unique strategic position is to create an environment in which people are emotionally involved in the chosen strategy

Winning people's emotional commitment requires managers to think differently about the role of strategic management and view themselves as makers of meaning and vision, rather than as planners of specific programmes to be followed. This sort of environment fosters creativity and support for strategy development and is at the heart of any attempt to secure emotional commitment

A pragmatic way of developing a supportive environment is to stage-manage four basic organisational elements: **people, culture, structure** and **reward**. The challenge is to combine these fundamentals so that they sustain and reinforce one another, while also supporting the company's strategy.

This approach to securing emotional commitment in strategy innovation and design is poles apart from the rational commitment required of people, by managers, when a change in strategy is involved, as it is in fact of many decisions implemented in business today.

The dynamic imperative

Most people involved in strategy have been taught systematic approaches to structuring strategic decisions. Yet it is not easy to reconcile methodical and routine approaches to the sheer ingenuity, inventiveness and originality of the achievements of some really great strategic innovators.

It is creativity that offers the means to create superior customer value and build a new market or wrong-foot competition with a new process of going to market. Creativity is fundamental to developing a unique strategic position. Genuine innovation that makes a big difference to customers with something they can use in a way that has not previously been possible comes from **original thinking** – not systematic analysis!

However, creativity is accepted and embraced by only a few companies because innovation is generally viewed as a function of research and development, not, as it should be, as an element of strategic change. But companies that have realized the value of innovation are more profitable than those that have not recognized its potential.

Since the heart of strategy making is to create and exploit a unique strategic position, then any company involved in strategy making must raise questions, identify possible answers, evaluate the answers and make choices about customer wants, value and operational activity.

Consequently, the challenge for any company is to use its strategy-making process to consistently come up with innovative ideas that provide value for customers and differentiate the company from its competitors.

However, for this, a company needs a process that will enable it to; generate innovative strategic ideas in a number of ways, given the right environment, allow fair evaluation of each one through a detailed cost-benefit analysis and see if they really work as intended, through market tests and experimentation. Depending on how the selected ideas fare in the market, they can be either modified or changed altogether.

It is clear that experimentation (or trial and error) is used for two separate purposes: to generate ideas; and to test and evaluate them in order to return to a previous stage or move on to the next. Thus, the evaluation-experimentation-learning-modifying cycle continues until a unique set of activities that defines a unique strategic position emerges.

So, there you have it...


...the fundamentals of creating a unique strategic position – and how to discover viable new business opportunities.

You've just gone through a 'crash course' on how to build and exploit a breakthrough business strategy!

The key is to concentrate on **offering a targeted customer group**, products or services of **superior value** with an **efficient and distinctive means** to create a fit between what the customer needs and what the **company does really well**

If you would like to know more about how to create a superior strategy you might like read my e-book **The Strategic Manifesto** for a dynamic approach to formulating business strategies please contact me at andrew@uniquebusinessstrategies.co.uk for details.

ABOUT THE AUTHOR



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Andrew M Pearson NDA, Dip M, MBA is widely considered to be a leading expert in the fields of strategy, marketing and operations management. He tutors at Oxford Business School and the Open Business School and is also a visiting lecturer at Warwick University, Coventry University and the Royal Agricultural College.

In addition to UK business school experience he has presented seminars and workshops at business schools and forums throughout the world. He has extensive experience as a consultant and management workshop speaker and has worked with managers and management students in the UK, Europe, China and Libya. He focuses on issues of market strategy development, planning and implementation and recent companies include; Dart Plc, Channel Express Ltd, Fowler Welch, Mack International Ltd, Everglade Windows Ltd, Velcourt Ltd and Andersons Consulting.

Andrew Pearson has written a number of, articles, papers and books. These include: *The Strategy Manifesto*, *How to create and Exploit a Unique Strategic Position*, *How to Sustain Business Momentum*, *Essential Marketing Strategies to Accelerate Business Growth* and *All The Right Keys*.

With best wishes



Managing Director
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This is one of a series of articles published by UBS Unique Business Strategies.

Other publications from Andrew Pearson:

- » [How to Create and Exploit a Unique Strategic Position - 21 Shifts towards a Breakthrough Business Strategy](#)
- » [How to Achieve and Sustain Business Momentum](#)
- » [All The Right Keys - How to go to Market Ahead of your Competitors with Superior Business Strategies](#)
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