

How to Create a Superior Strategic Position for Your Business

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. Define what business it believes it is in.
2. Decide who will be its targeted customers, what products or services it will offer them, and how it will achieve all this in an efficient way.
3. Construct the appropriate organisational environment that will support the choices made.

What business are we in?

The first ingredient is the answer to the question, "What business are we in?" Although very few companies actually ask themselves this question, this is the single, most important step in the crafting of a superior strategy. Why? Because a company's implicit or explicit perception of the business it is in conditions everything that it "sees" and "does." Thus, what business a company believes it is in conditions who it sees as its customers and its competitors and what it sees as its competitive advantage. It also determines what are thought to be the keys to success in the

business and thus ultimately determines how it will plan and execute its strategy.

Who is the customer and what should we offer them?

The second ingredient of a superior strategic position resides in finding answers to the questions *who*, *what*, and *how*. 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 essentially strategic; the answers to these questions, together with consideration of the underlying economics of the business and its competences, will define a point of difference and the strategy the company will play.

The question of "*how*" is also strategic - as most managers perceive it to be. What they may not perceive, however,

is that it is next to impossible to decide on "*how*" without first answering the questions of "*who*" and "*what*."

Deciding on "*how*" involves making choices on numerous issues, such as what activities to handle in-house and what to subcontract, what specific functional policies (purchasing, manufacturing, marketing, accounting, and so on) to adopt, how to organize internally, and combining these activities into a system that creates the requisite fit between what the environment needs and what the company does.

The real challenge is to find real differences that matter to customers – which can be sustained. 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.

Approaching sustainable differentiation in this way is dependant on two conditions. Competitors can not imitate or equal a company's positioning and that the activities needed to support the position actually fit to each other and the company's capabilities.

Construct the environment to succeed?

The third and final ingredient of a superior strategic position is to develop the necessary *competencies* and the appropriate organisational environment to create and implement the chosen strategy. By organisational environment, I mean four basic things: the organization's *culture*, *incentives*, *structure*, and *people*.

This means that to create a superior strategy, a company must think beyond markets, products, and customers. It must also decide what competencies to develop and what organizational context to create so as to facilitate the implementation of its strategy.

The moves required to create and exploit a superior strategic position

Define the business in terms of a) who are its customers and b) how can it satisfy them in a unique way relative

to its competitors

1. Identify all the possible customers you could be marketing to and which to target so that you can discover niches that no one else has thought of and where the company can do a better job of serving these customer niches than its competitors; “*Every little helps*,” “*A hug in a mug*,” and “*The drive of your life*” are all fine examples of customer understanding.
2. Just as a company can't target every customer, it can't offer every product or service to everyone. It has to focus. A starting point is to sell products that rivals can't touch. However, it is important to identify the possible products it could offer and then to decide which one to go for. Asking the customer is one way. Another useful way is develop a deeper appreciation of the way your customers try to satisfy *their* customer's needs.
3. Defining *what business the company is in?* demands the development of activities that are different to those of competitors or to select and to perform these activities differently and combining them into a system that creates a fit between the needs of the niche and the actions taken by the company to achieve success.
4. The activities the company carries out must be supported by appropriate assets and capabilities. They may be seen in quick service, a great distribution network, low inventories, great supplier relationships, productive

excellence and so forth.

5. Distinctive capabilities are the foundation of new business development and should form the focus for strategy development and reinvention.
6. Assets and capabilities when rare or difficult to imitate provide the means to achieve a sustainable advantage. These *distinctive* assets and capabilities fall into three broad areas; reputation, relationships within the business and with other companies and finally in innovation/re-invention.
7. The single most important determinant of employees' behaviour is the underlying environment of the business. People will only comply when the business environment promotes and supports the desired behaviour. This means that if you want people to be more customer-orientated, you need to create an environment that encourages such behaviour.
8. Organizational behaviour comprises four elements; the company's *culture, incentives, structure, and people* which in turn supports and promotes a company's strategy. Management is required to evolve practices around these four areas to achieve the behaviours required.
9. The challenge for any business is to use its strategy making process to continually come up with innovative ideas on how to compete in its niche with unique and superior strategies – the process is part planning and part trial

and error, until you hit upon something that works.

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Best wishes



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