GETTING TO THE MOON

Strategic management tools can guide you

BY TIM PRICE

IN 1961, PRESIDENT KENNEDY TOLD CONGRESS that by Dec. 31, 1969, the U.S. space program would "land a man on the moon and return him safely to Earth." That kind of objective, with deadlines specified and conditions set, is a great example of how much smoother the journey to success is when you have a roadmap. The U.S. space program met its objective almost six months before its own deadline, helped along by the fact that technology and thinking had evolved to make it happen. Just 10 years before, such a task would have seemed insurmountable, but the space programs had developed to an extent that by 1961, it was realistic, and U.S. thinking was that we needed to beat the Soviet Union to the punch. By putting it in words, however, Kennedy gave the nation and every person at the National Air and Space Administration working on the project a long-term goal that was measurable.

That's the kind of strategic planning that can help our industry as we get past the economic woes of the last half decade and move into new situations. There are many opportunities in this altered world, but you have to contemplate and put down in words where you want to be as a company before you can come up with the steps that will get you there.

Strategic management

I gave a speech this year at COMPOSITES 2013 that was called: Maintaining Viability in Difficult Times. I wasn't talking about downsizing or cost cutting or any or those reactionary steps that most businesses had to take to help them survive, however. I was talking, instead, about learning to use the process of planning to develop action steps that will help the entire organization as it moves into the new future. I was also talking about structuring the company so that its long-range performance is steady and constantly improving—in other words: finding a way that everyone in the organization is looking to the future with a coherent shared vision of that future.

This process involves three tiers: setting objectives, developing strategies and then planning the tactics to implement those strategies:

- The *objective* for an organization describes where the company expects to be at the end of a planning cycle. Objectives are long-term in nature, few in number and realistic, but able to stretch with the environment. They need to be measureable (we will get to the moon and bring a man home safely); internally consistent and attainable with the resources (in NASA's case, the technology and congressional support) available.
- *Strategies* are long-term action steps that will help the company get to the objective: a few major actions that can be expressed by date (get a man on the moon and back by *Dec. 31, 1969*). Strategies are often developed by everyone in charge, from the president, owner or CEO to unit managers. NASA's strategy for getting to the moon was to carry out a series of Apollo missions designed to test the technology.)
- The third level of planning is *tactics*, which are day-to-day activities that are meant to be flexible. (Each phase of Apollo was adjusted after each a launch according to what was learned on the last launch.)

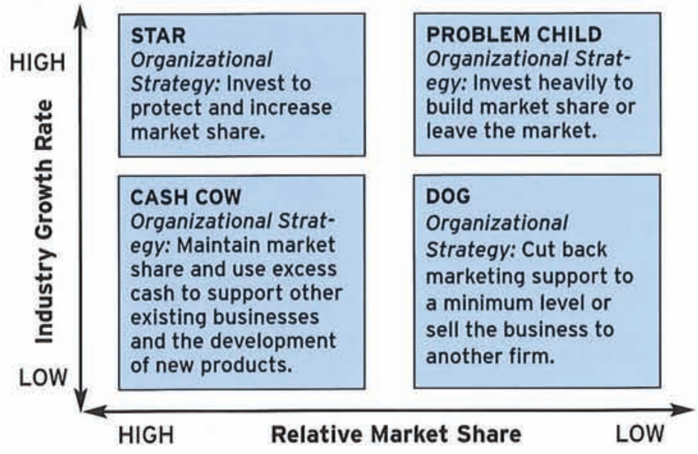
The tactics support the strategies, while the strategies support the objectives. And while objectives do not change and strategies only change occasionally, tactics are designed to be fluid to allow an organization to apply what it learns as it goes. It is critical in business that these tactics are clearly communicated to those in charge of implementation and that there be a way to monitor progress and correct course as needed.

Tools for market growth

Professor Michael Porter of the Harvard School of Business has outlined five distinct factors that interact to create earning power within a company. Those factors and what they mean include:

- *The power of customers*: A company I once worked for used to have a major big box store for a client. Eventually, that client became 85% of our business, which meant they held a string that affected our receivables, our warranties, our incentives and much more. Companies in the cast polymer business will always give power to our customers, but we need ways *not* to let one customer have too much control.
- *The power of suppliers*: If you have companies that supply goods that enable you to make your products, you need to realize that you are only as strong as those suppliers. You need to make sure you're dealing with suppliers that have a policy of quality in place. You also need a redundancy plan in place in case something happens to a main supplier.
- *New entrants into the market*: Today more than ever we need to pay attention to what's out there as a means to satisfy customer needs. Back in the 1990s, for example, there was an explosion of new products into the market (engineered stone, natural marble, natural granite) that the solid surface industry initially fought, but that are very much accepted today as part of the kitchen and bath surfaces market.
- *Substitute products or technology*: As with new entrants, we need to assess where our products and methods are in the market and in their own life cycles. The Boston Consulting Group gives four different names for where a product is in a life cycle from 1) the rising "star" product that we might want to invest heavily in because it promises to increase market share rapidly to 2) the "cash cow" that has been so popular the market is now flooded. And from the 3) "problem child" (high industry growth but low relative market share) that we might be assessing for whether we should just abandon it to the 4) "dog" that is already going through major cut backs and potential sales of the product line. The Boston Consulting Group suggests that the cash from the cash cow be used for selective funding of the problem child and the stars while the dog gets reduced funding (Figure 1).
- *In-kind competition:* Just as you must know where you want to go in order to build the roadmap there, you have to know who the competitors are to be able to do battle with them. I was once in an upstart business where we literally followed the delivery trucks of our competitors to their customers to find out where we should target our products. While you don't have to go that far, you have to develop a capacity for competitive surveillance and find a way to integrate what you learn into your strategic management program.

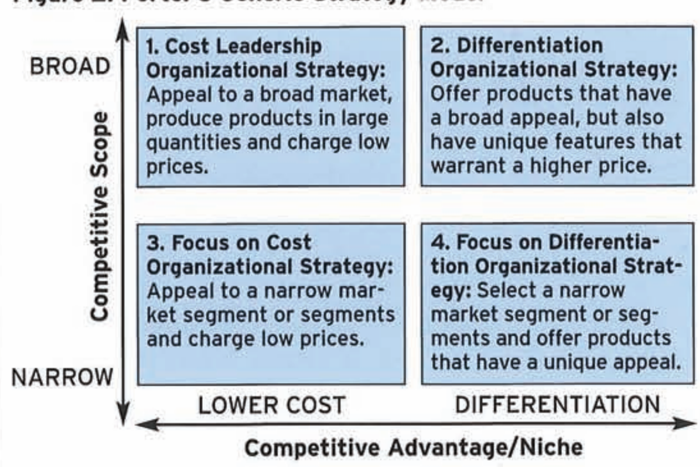
Figure 1. Product Life Cycle



Source: Boston Consulting Group

You also need to define what your own strengths and weaknesses are so that you know how to challenge those competitors. Some of the most successful companies in our business—those that have shined even during this tough economic climate—are those that know their core competencies and have integrated those competencies into their mission statements. Are you strong or weak in collections invoicing or materials management? You need to look at the trends as well

Figure 2. Porter's Generic Strategy Model



Porter's Generic Strategy Model suggests that firms should first analyze their industry, then define a competitive niche using one of four generic strategies: (1) broad target cost leadership, (2) broad target differentiation, (3) narrow target focus on cost and (4) narrow target focus on differentiation. The model is based on the concepts of competitive scope and competitive advantage. Competitive scope refers to the range of a firm's activities, which can be broad target or narrow target. Competitive advantage is created by offering value to customers that is not offered by competitors, either through lower cost or through unique benefits that differentiate the product.

as the resources and strategies of your competitors, your own resource capabilities and where your products are in their life cycles.

Returning to Professor Porter's work, he developed a model that provides four generic strategic approaches companies can choose. These models are based on appeal to either a broad or narrow target and to either the customer looking for the best price or the customer base that seeks a product different from all other products (Figure 2).

In this model, a company's niche might range from the need or desire to offer the lowest cost product to the broadest market to the need to focus resources on a narrow market through the most unique product. The competitive advantages in this model are created by finding a way to offer value to customers that is not offered by competitors either through lower cost or by differentiating.

Another way of looking at this is that there are generally four methods to grow your business:

- *Market penetration:* promoting current products to current markets and customers
- *Market development:* promoting products to new markets
- *Product development:* introducing new or improved products to current markets and customers
- *Diversification:* developing new products for new markets or by new acquisition or research and development for expanding product possibilities

Most of us use a combination of these strategies. For example, almost all of us are constantly seeking the next best design, new edge details, etc. But most of us don't have the deep pockets for brand new markets all the time as a diversification strategy requires. The key is to find the sweet spot where your particular company shines.

To get there, however, requires that you use models and tools such as I've outlined here to find ways to support the objectives of your particular company instead of being tossed to and fro without a sense of direction.

And most importantly, you need to stay close to your customers to know what they want and need, and you need to stay close to your own employees to make sure they are on the same road and headed in the same direction as you. ■

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