



## Strategy Made Simpler

Being sensible, practical and avoiding the overcomplicated

BY LINDA WOLSTENCROFT

**W**hat exactly is meant by company strategy, and how do we know if our company has a viable strategy that will get us where we want to be?

Strategy is a business concept widely written about and debated. So much so, that the term “strategy” has many different definitions. In their book *Strategy Maps* (2004, Harvard Business School Publishing Corporation), Robert S. Kaplan and David P. Norton address this diversity and note that “strategy describes how an organization intends to create sustained value for its shareholders.”

What is clear is that there are diverse opinions on what strategy is and should be. Therefore within this context, what work can we do with our company strategy that is practical? What approaches, tools, and techniques can we use that will yield the long-term results we seek in our business?

To further complicate the issue, our company executive teams are diverse. Each executive will, quite naturally, frame his or her understanding of strategy from his or her own experience. This could be finance, engineering, sales, operations or human resources. An engineering executive may believe strongly in intellectual property development that will yield *long-term* profitability as key to success, while the CFO is more focused on initiatives that yield *short-term* profitability. An executive who spent most of his/her career in sales & marketing will find it natural to focus on top line revenue growth as the key to future strategy. An executive with an operations background may focus on operational excellence as the main road to success. A human resources person will naturally think about

the ways in which employees and executives can be developed such that the human element becomes a strategic discriminator for the future.

It is important to realize that the diversity of an executive team serves the strategic process well, and that *all* perspectives are valuable to the discussion.

So how do we develop our strategy and set our company up for success? In combination with Kaplan and Norton’s extensive experience, the authors tell us that based upon the work of Michael Porter, a leading authority on competitive strategy, there are four fundamental strategies that a company can choose from:

1. Product innovation and leadership,
2. Lowest total cost,
3. Complete customer solutions, or,
4. Lock-in.

It is necessary to focus on one of these in order to take a company to the next level. This does not mean that the other three elements are ignored, but the company’s major investments and strategic initiatives surround the one that is picked. For example, if a company is following a strategy of providing complete customer solutions, it follows that the initiative of developing a new offering that is desired by one of its major customers will be prioritized over initiatives for which there is no apparent customer need. It therefore becomes just as important to select what a company is NOT going to invest in.

Of course, we do see successful companies headed by executives who truly pursued their passion such that it became the company strategy and resulted in success. The legendary Steve Jobs of Apple is one such example of this – his roots as a technology innovator served his company as they followed a strategy focused on product innovation and leadership that stayed ahead of the game and what everyone else was doing.

In our industry, here are examples for each of the four fundamental strategies:

1. Product innovation and leadership: A company such as CAE is poised on the forefront of simulation and modeling technologies and integrated training solutions worldwide. CAE invests significantly in R&D and its success is manifested by the numerous and frequent multi-million dollar contract award announcements.
  2. Lowest total cost: This is difficult to accomplish in Canada given our high cost base. For this reason, we are seeing more outsourcing of manufacturing and engineering to less expensive regions.
  3. Complete customer solutions: Western Europe’s MRO providers have amongst the highest labour rates in the world yet still attract work from surrounding regions in which local facilities have lower cost bases – this is because of their solid reputations as well as a continuous focus on development of their business processes and capabilities. They are focused on providing what their customers are seeking, and they offer a service that their customers consider to be more valuable than their lower labour rate counterparts in surrounding regions.
  4. Lock-in: One example in which lock-in works well is in operating systems and software; a company who develops an operating system and/or software within an integrated system will have guaranteed follow-on work for maintenance or upgrades as long as the software remains proprietary.
- It is important to understand our strategy as a company: what is the value that we bring to our customers? Evidence suggests that companies who choose one of the four fundamental strategies, and implement it effectively, are the ones who will be the most successful.

What is the fundamental strategy for *your* company? ■

**Linda Wolstencroft** is President of Aerospace BizDev Inc., which provides strategy and business development assistance to the aerospace and defence industry. She has worked with firms such as: Cascade Aerospace, Vector Aerospace, Northrop Grumman, and L-3 Communications. Linda is a Professional Engineer and holds a masters degree in Business Administration