

Strategic Planning and Management Cultures

Themes Critical To Strategic Planning

This document describes a framework and methodology towards a market focused approach to strategy that looks at generating breakthrough, profitable growth by discovering and delivering superior Value Propositions.

First, we will discuss the two more common models of strategic thinking and practice against which the Newport approach contrasts. These two kinds of behavior are called "Internally-Driven" and "Customer-Compelled."

Classic Problem with the Internally-Driven Culture

Most businesses tend to be "Internally-Driven", eager for any rationale to stay with the apparent safety of their current strengths. Internally-Driven managers focus on designing, making and selling a product (or service) rather than on choosing, providing and communicating a superior Value Proposition. Competitive advantage is sought in the way products or services are made and sold, in assets, technologies, costs or functional skills that competition lacks. These managers often think from the inside out, deciding what product to make, then how to make it and then how to make customers buy it. All this is based on what they are good at, what they like to do, what's in their safety/comfort zone -not based on what it would take to deliver profitable value in the marketplace.

Functions (R&D, operations, marketing, regulatory, etc.), not integrated around any specific chosen Value Proposition, pursue their own inconsistent agendas (sometimes feuding and blaming each other), undermining the chances of delivering profitable value.

False Solution with the Customer-Compelled Culture

In an attempt to transcend this "Internally-Driven" myopia, many pursue what they often see as the only alternative: commit to anything and everything customers suggest, the Customer-Compelled path. Just "be close" and "listen to" the customer, promise "total satisfaction" and "do what they say."

Marketing and total quality are often interpreted in these terms. Despite listening enthusiastically, the Customer-Compelled organization still fails to understand resulting experiences customers would really most value. It asks the same wrong questions that the Internally-Driven organization asks (how to make and sell what product?) but now it wants customers to answer. Moreover, managers with this mindset try to use customer input alone to solve the whole business puzzle, giving inadequate attention to the relative abilities of the organization and to necessary trade -offs. While customers often make many good suggestions, they also suggest much that is neither actionable nor profitable. And the diversity of requests is limited only by the diversity of customers one encounters. Most organizations, trying to follow the Customer-Compelled path, find it impractical and are driven back toward the traditions of the Internally-Driven organization, disillusioned and discouraged.

Confusion Bridge Balanced between two wrong paths?

Many organizations find themselves engaged in a frustrating effort to blend the two flawed approaches. The result? Managers either do whatever the customer says unless it violates an Internally Driven mandate, or they follow Internally -Driven agendas until a customer complains. This approach lulls some managers into thinking they have found some kind of balance, but this approach misses the fundamentals of an optimal value proposition, just the same.

In this world of increasingly frequent and severe change, business organizations have a choice. They can adopt an Internally-Driven approach, a Customer-Compelled approach, an approach that combines the two, or a different and more realistic approach of optimal value proposition. Businesses on this least traveled road integrate all aspects of strategy, culture, and leadership around one objective: **delivery of superior value to target customers at a cost allowing acceptable returns**. This deceptively simple principle begins with a concept equally deceptive in its simplicity: the customer's experience.

CUSTOMERS' RESULTING EXPERIENCES: ESSENCE OF an OPTIMAL VALUE PROPOSITION

Those who would make a business succeed face crucial decisions. Most important of these, yet most overlooked and poorly understood, is a disciplined choice of the experiences the business will cause some intended customers to have. These are the resulting experiences a business delivers, and they are the essence of an Optimal Value Proposition.

Properly understood, business is very much about the exploration and improvement of customers' real business/life experiences. The traditional concepts of needs, requirements and benefits" share important common ground with resulting experiences. However, the differences are considerable, as the conventional concepts focus too much on what the business does or on superficial, vague ideas of benefits or needs. Managers must learn to deeply understand and decisively act on specific experiences the customers would most value.

Resulting Experiences in the microwave:

As an example, consider the experiences that result from using a microwave oven. Users typically cook some food in a pot in a traditional oven, and then put it in a bowl, in the refrigerator. They later might put this food on a plate, reheat it in the microwave, and in about five minutes eat it; and it probably tastes good. To clean up, they wash the pot, bowl, and plate. Without the microwave, they would take the food from the fridge, put it in another cooking utensil, and reheat it for about 25 minutes in a traditional oven. The food might dry out, sticking to the utensil. They put the food on a plate and eat it; it may taste dried -out.

As a result of using the microwave, the user eats about 20 minutes earlier, does not wash the additional utensil (which may be difficult), and enjoys a better taste (not dried-out). These microwave experiences have some consequences better than the traditional oven experiences. These come with a tradeoff - the user must shop, find space, and pay

the price for this microwave. Microwaves succeeded because the value to customers of the resulting experiences, including drawbacks and price, was in net superior to alternative experiences.

Resulting Experiences: Central Element of an Optimal Value Proposition

“The world wants *holes*, not drill bits... it wants a *good nights sleep* not a new mattress, it wants fulfilling *leisure time* ,not a landscaping service...it wants *lift*, not wings.

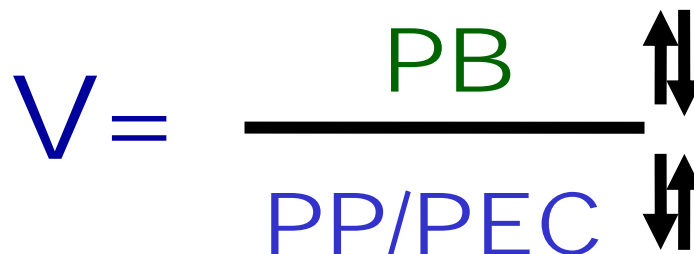
Resulting experiences:

1. Are all events in a customers business, or consumer’s life, a result of buying and using some product or service?
2. Have some end-result consequences with some relative value compared to the customer’s alternatives.

Remember here is how your customer defines value

Value equals perceived benefits over perceived price multiplied by perceived emotional cost. Perceived emotional cost can be more simply defined as the headache factor (i.e. switching suppliers, learning a new system, billing date changes, etc...)

Value erodes for a customer when perceived benefits go down and perceived price is going up. The usual trigger for this happening is when perceived emotional cost isn’t skillfully handled. Optimal Value proposition is the reverse.

$$V = \frac{PB}{PP/PEC}$$


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