Don't be a "Dummy"

Strategize for Growth and Sustainablity

We wrote this book from our experience helping fortune 500 companies, businesses and non-profits create and execute their strategy. **OnStrategy** is the enterprise, cloud-based leader in strategy management. Our online tools and hands-on services, including our flagship platform for empowering people to create and execute strategy, connects customers, employees and stakeholders to achieve enduring success.

We believe strategy is more than simply achieving business goals. It inspires people to work hard, incites action and makes things happen. Simply architected, thoughtfully executed, strategy moves mountains. We hope you enjoy this free chapter *"Strategizing for Growth and Sustainability"* from our book **Strategic Planning Kit for Dummies**.

Chapter 11

Strategizing for Growth and Sustainability

In This Chapter

- Differentiating strategy from tactics
- Determining the value-creating strategy for your organization
- Growing your business by using current products and developing new ones

At the end of the day, what's every business trying to do? Grow. Businesses strive to grow more customers, more sales, positive cash flow, larger deal sizes, higher volume, more billable hours, justification for higher prices, and so on. Ask any hardworking entrepreneur what he or she is working on and you're bound to hear a comment related to growth. Growth is why you're in business — to build or create something bigger than yourselves. Because if you're not growing, you're shrinking.

With that said, you don't want to focus on growth for growth's sake because growth is just the means to an end. Your desire to grow must match up with your vision for your organization. Growing rapidly, growing incrementally, or maintaining your current position requires specific strategies.

In this chapter, you discover the different paths for growth and sustainability strategies. You understand how to travel in more than one direction to find partners and acquire others. Lastly, you look at how to evaluate the different growth strategies against each other to get a clear picture of your strategic choices.

One thought to consider: Only 49 percent of executives surveyed say their companies have no list of strategic priorities. According to Cesare R. Mainardi, coauthor of *The Essential Advantage: How to Win with a Capabilities-Driven Strategy* (Harvard Business Press), "Too many companies grab too hastily for what seems like the next answer to growth."

However, on the other side of the coin, if you have too many strategic priorities, you end up with a plan that's just too cumbersome and something you can't manage. So the key to a good plan is having the right strategy recipe.

Understanding the Difference between Strategy and Tactics

Quite often, people confuse strategy and tactics and think the two terms are interchangeable. Well, unfortunately, they're not. In the following sections, I explain the difference between strategy and tactics as well as provide the three levels of strategy.

Strategy versus tactics

According to strategy guru Michael Porter, "Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value." *Strategy* is the *what* part of the equation and helps you answer the question, "What are we trying to accomplish?" Yet your business design may not be sustainable; you may have trade-offs for how you position your business with customers and competitors. Every business has limited resources and deals with a competitive landscape. The more it does of one thing, the less it can do of another. This concept leads to *tactics,* or the *how* part of the equation. Your tactics help you answer the question, "How are we going to accomplish our goal?" Ultimately, a good way to think about the difference between the two is that strategy acts as a guide to a set of actions that various departments or teams will undertake. Figure 11-1 further illustrates the difference between strategy and tactics.

STRATEGY (WHAT?)		TACTICS (HOW?)
What	**Quick View**	How & Who
Stratos: army, or resources Ago: leading	**Greek Definition**	Taktike: the art of organizing an army, a maneuver
To lead your resources, a plan, method, or series of maneuvers or stratagems for obtaining a specific goal or result	**Greek Definition**	A plan for attaining a particular goal
Stable, democratic Iraq, through the Surge and Clear-Hold-Build	**Example**	Operation Sinbad including the various ways to advance on a city, to clear a house, and to detect mines
Organization-level determiner: Foster the growth of youth to be the strong leaders of tomorrow.	**Organization Example**	Staff-level auctioning: Develop programs that teach civic responsibility and leadership.

Figure 11-1: The difference between strategy and tactics.

Keep this thought in mind: What you're *not* going to do is sometimes just as important as what you *are* going to do. For example, a company decides it's going to target the baby boomer group, so it makes a decision to not target another generation.

The levels of strategies

Businesses use three levels of strategies in the planning process to help them grow and become sustainable. Figure 11-2 visually explains the following three levels:

- **Corporate level strategy:** This level answers the foundational question of what you want to achieve. Is it growth, stability, or retrenchment? For more on this strategy, see Chapter 3.
- **Business unit level strategy:** This level focuses on how you're going to compete. Will it be through customer intimacy, product or service leadership, or lowest total cost? What's the differentiation based on? I discuss this strategy in the next section.
- **Market level strategy:** This strategy level focuses on how you're going to grow. Will it be through market penetration, market development, product or service development, or diversification? See the later section "Market Level Strategies: Strategizing How to Grow" for more on this strategy.

<table>
<tr><th colspan="4">LEVELS OF STRATEGY</th></tr>
<tr><td colspan="4">Corporate Level Strategy</td></tr>
<tr><td colspan="3">Business Unit Level Strategy</td><td>Business Unit Level Strategy</td></tr>
<tr><td>Market Level Strategy</td><td>Market Level Strategy</td><td>Market Level Strategy</td><td>Market Level Strategy</td></tr>
</table>

Figure 11-2: Levels of strategy.

Business Unit Level Strategies: Choosing Your Leading Strategic Focus

It's time to take out your big strategy guns and kick it up a notch. To increase your value to your customers or stakeholders, you need to create something better or different than your competitors. You do this by leveraging your existing strengths — or developing new ones — in the following three ways:

- Using operational excellence to provide *lowest total cost*
- Using continued innovation to provide *product or service leadership*
- Providing complete *customer intimacy* by knowing their needs and wants

Strengths usually fall into two broad categories: cost advantage and differentiation. When you apply these strengths to a market that's either large and varied or small and homogeneous in its needs, three basic strategies result, as indicated by italics in the preceding list. I explain each strategy in greater detail in the next section.

These strategies are often called *generic* because they're not firm or industry dependent. I call them *business unit level strategies* because they're applied at the business unit level. By consistently executing a business unit wide strategy, or a strategy that consistently guides how you create value, you can provide a product or service that's better than your competition.

Figure 11-3 shows the flow of the business unit level strategy process. In the following sections, I provide an overview of the three business unit level strategies and guide you through the steps to picking one that best fits your business.

Applying your strengths to a business unit level strategy

Selecting your business unit level strategy really comes down to determining what your customers value the most about what you provide. Your low prices? Your cutting-edge products? Your ability to deliver a service that fits their needs exactly? Take a look at each option in this section to see which strategy is the best fit for your company.

TIP

Select a business unit level strategy for each target customer group you serve. For smaller organizations or departments, select one strategy for your whole company. Managing multiple value propositions can be nearly impossible.

Leading with lowest total cost

Creating value through lowest total cost focuses on appealing to a broad spectrum of customers based on being the overall low-cost provider of a product or service because of the company's focus on efficiency. The company implementing this strategy provides superior value to its customers by offering them lowest total cost. Ultimately, it competes on scale, serving customers who want reliable, good-quality products or services but who want them cheaply and easily.

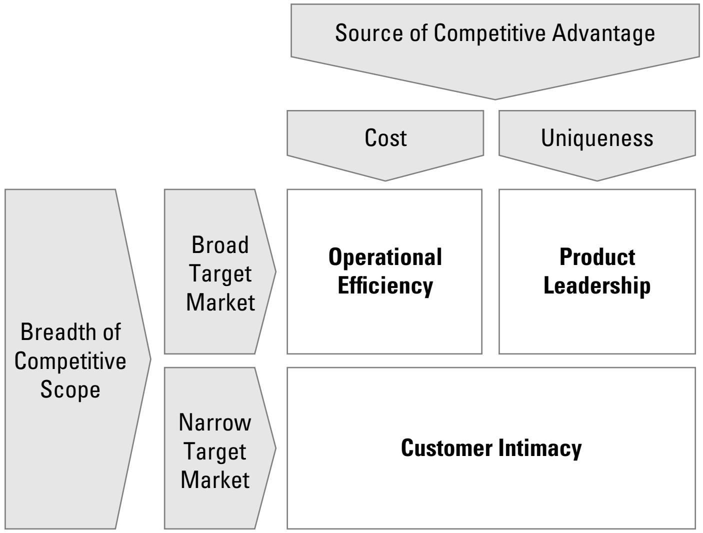


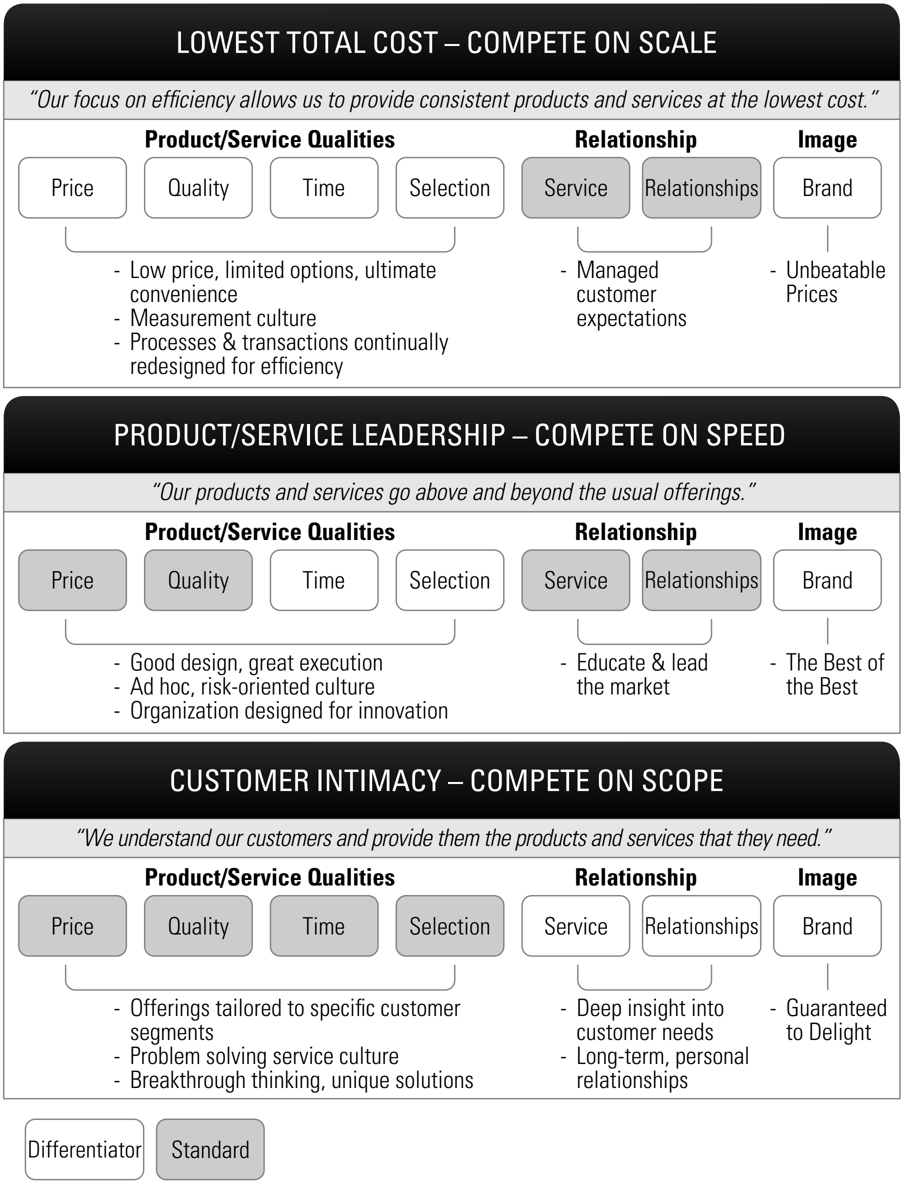
Figure 11-3: The business level strategy flow.

A lowest total cost value proposition sounds something like this: "We offer products and services that are always consistent, on-time, and low in cost." Check out these goals if you're executing this strategy:

- To continually offer the most attractive prices
- To purchase and source from the lowest-cost suppliers
- To offer excellent and consistent quality
- To ensure that our company has a good product or service selection
- To make buying from our company easy and fast

To reach your goals, you need to master your operational processes. This process includes monitoring outstanding supply chain management, super efficient operations to control costs, cycle time and quality, and inventory management. See Figure 11-4 to get an overview of this strategy in comparison to the other two strategies discussed in the following sections.

Providence Plumbing, a plumbing, heating, and air company, creates outstanding value through a real-time data system. All the company's technicians have powerful handheld data systems that allow them to accept, respond to, and close service orders all in one smooth process. Through this data system, the company cuts down its operational costs by reducing drive time, service order data entry, and error rates due to lost orders and billing costs. The company's customer satisfaction has soared because most service orders are responded to on the same day as requested, customers find little surprise in the final bill, and the company's prices are the lowest across the board.



Adapted from Drs. Robert Kaplan and David Norton, creators of the Balanced Scorecard

Figure 11-4: Visualizing the three business unit level strategies.

Other companies that continue to offer the best buy or lowest total cost through their excellent internal operations include Wal-Mart, Southwest Airlines, Dell, and IKEA.

Leading with product/service leadership

This strategy concentrates on creating a unique, innovative product or service line while competing on speed. A company implementing this strategy provides superior value by offering its customers a continuous stream of innovative products or services, regardless of the costs in terms of price or inconvenience. It seeks to identify emerging opportunities and continuously strives to develop and deliver new products and services to market quickly.

A product and/or service leadership value proposition sounds something like this: "We offer products and services that expand existing boundaries past what was thought possible." To execute this strategy, your goals may look like the following:

- To strive to be first to market with new products, services, or functionality
- To always produce leading-edge products and services that exceed the performance of competing products
- To maintain higher prices than competitors because of the superior product
- To reach and educate new customer groups

You need to master your innovation processes and develop an innovation culture to reach your goals. These steps include having a pipeline full of new ideas, using a conversion rate of ideas to production, implementing excellent and quick product development processes, and staffing marketing and sales departments that can bring the product to market quickly. Refer to Figure 11-4 to get an overview of this strategy in comparison to the other two strategies.

Instead of studying Spanish by going to classes or hiring a tutor, students in Guatemala learned from Spanish tutors through Speak Shop, a web-based application that allows video and voice conferencing. The company was first to market with this innovative method to connect students and tutors in their homes or at work. To maintain its first-mover position, the company continues to add functionality, such as quizzes, lesson plans, curriculum, and discussion boards, to enhance its core product.

Additional companies that are always on the cutting edge of their industries with product or service leadership include Intel, Mercedes-Benz, Sony, and Apple.

Leading with customer intimacy

Creating value by really knowing your customers concentrates on a narrow market segment by a deep understanding of your customers and their perceptions of the value of the product or service you offer. A company implementing the customer intimacy strategy competes on scope, providing superior value by tailoring its products or services to match *exactly* the needs of targeted customers. It serves customers who are willing to pay a premium to get precisely what they want and specializes in satisfying unique customer needs through an intimate knowledge of the customers.

A customer intimacy value proposition sounds something like this: "We provide the best total solution to our customers because we make a practice of knowing exactly what they need." Try to fashion your goals around the following examples:

- To ensure that our customers feel like we understand them by continually engaging in market research and responding to it
- To provide customized products and services to meet their needs
- To stress exceptional customer service
- To install and effectively use a customer relationship management system
- To offer and sell a complete solution (selling multiple and bundled products and services)

Develop a customer-focused culture to attain these marks. These procedures include offering as many products and services that your customers are looking to you to provide — meaning that you completely solve the problem or need that your customers have. Refer to Figure 11-4 for an overview of this strategy in comparison to the two previous strategies.

A rapid software development company develops tools for online collaboration. Based on customer feedback, the company develops additional tools and online applications specifically to meet the needs of its growing client base. In fact, this company is so focused on its customers that it provides a free online forum and training for customers to develop their own collaboration tools, using its platform.

More examples of companies that are providing complete customer solutions through customer intimacy include Nordstrom, Goldman Sachs, and Cabela's.

Discovering why you don't want to be stuck in the middle

REMEMBER

If you're tempted to execute all three strategies, think again. That's called *being stuck in the middle,* or *riding the fence.* Executing a stuck in the middle strategy is like being in the middle seat of a five-seat row on a 747. You don't know whether to crawl over the mom with her sleeping baby to the right or over the guy with his laptop to the left. Being stuck in the middle isn't a good place to be!

Selecting only one business unit level strategy to lead with is widely considered one of the best ways to achieve and maintain your competitive advantages. Why? Because if you select two or more approaches and then fail to achieve them, your organization gets stuck in the middle without a competitive advantage. Practically speaking, when it comes to budget time, you need to decide whether you're investing in R&D (product leadership) or eliminating costs out of your supply chain (low cost leadership). You need to do the standard value-creating activities across all strategies, but you need to differentiate yourself with the combined set of activities in these strategies.

That said, another school of thought is that leading with one business level strategy isn't always best because within the same product or service, customers want the best product, lowest cost, and high touch experience. My perspective is that strategic plans are difficult and confusing enough, so to add complications by leading with multiple strategies muddies the water and leads to confusion when hard decisions need to be made. If you must, prioritize what strategy you're leading with and which two are secondary so when it comes to focus, your team is clear about your choice.

Choosing the right business unit level strategy for you

The basic difference between business unit level strategies are (1) whether a company's market or industry target is broad or narrow and (2) whether the company is pursuing a competitive position (or creation of superior customer value) linked to low costs or product differentiation. To determine the right business unit level strategy for your company, follow these steps:

1. **Answer the question, "Is the market or industry target broad or narrow?"**

   Broad: market scope; a relatively wide market emphasis

   Narrow: limited to only one or few segments in the market

2. **Determine whether the competitive position focuses on lowest total cost or product differentiation.**

   Low costs: Company works to achieve lowest costs of production and distribution.

   Product or service leadership: Company focuses on a product or service offering that's unique from competitors in ways that appeal to buyers.

3. **Based on the results from Steps 1 and 2, make your selection.**

   If the target is broad and competitive position is low costs, then by definition the overall strategy is lowest total cost.

   If the target is broad and competitive position is product differentiation, then the overall strategy is product or service leadership.

   If the target is narrow and competitive position is low costs or product differentiation, then the overall strategy is customer intimacy.

   If the target isn't well defined and the competitive position isn't clear, the overall strategy is middle-of-the-road. Generally, a firm can't be successful at all three strategies and thus jeopardizes performance, which requires clear focus.

Market Level Strategies: Strategizing How to Grow

Successful growth stems from matching your strengths and weaknesses with the opportunities that exist in your business environment. Your growth strategy is the way in which you position your company to exploit your strengths and opportunities and mitigate your weaknesses and threats. By strategizing how to grow, you're actively deciding how to connect your mission with your vision (see Chapter 6 for more on missions and visions). Your growth strategy answers the question, "How do we get there?"

Keep these key points on growth in mind as you move through this chapter:

- Growth begins with your customers in mind.
- Growth focuses on opportunities.
- Growth looks forward by learning from the past.
- Everyone can grow.

Growth comes from either leveraging your market knowledge or leveraging your product knowledge. Figure 11-5 illustrates how you can leverage your market and/or product knowledge to create four different strategies, originally presented by Igor Ansoff in 1957, which still has practical business application today:

- Market penetration
- Product development
- Market development
- Diversification

		MARKET	
		Existing	New
PRODUCTS	Existing	**Market Penetration** Focusing on your market and product by niching.	**Market Development** Leveraging your product knowledge to reach new markets.
	New	**Product Development** Leveraging your market knowledge to develop new products.	**Diversification** Diversifying by offering new products in new markets.

Figure 11-5: The four areas of growth.

In Part III of this book, you identify your strengths, weaknesses, opportunities, and threats. If you've covered that information, use it to guide your strategy selection in this chapter.

Concentrating on market penetration

The most common growth strategy is to focus on what you do best by emphasizing your current products in your current markets. This strategy is also called the *concentrated growth strategy* because you're thoroughly developing and exploiting your knowledge and expertise in a specific market with known products.

How do you grow if you're already doing what you do best now? Simple. Do the following:

- **Increase present customers' rate of use.** You achieve this goal by
    - Increasing the size of purchase
    - Maximizing the rate of product obsolescence
    - Finding new uses for your product
    - Advertising other uses
    - Offering incentives for increased use
- **Attract your competitors' customers.** You lure customers away from your competitors by establishing differentiation, increasing advertising efforts, or cutting your prices. Look at Chapter 5 to find ways to differentiate yourself from other companies.
- **Attract non-users to buy your products.** This process can be done by offering trial uses of your products, adjusting the price up or down, and promoting other uses to attract these customers (check out the following example for details).

Think about Arm & Hammer Baking Soda. You can easily argue that it's not the most exciting product; in fact, it's almost boring. Agree? It's white powder in a box, but the company dominates the market as the number-one baking soda for cooking year after year. But with such a large market share, you may be wondering how the company grows by using its current products. The answer: It finds a new use for an existing product. The company launched a yearlong marketing campaign, promoting the use of baking soda as a refrigerator deodorizer, which resulted in a 57 percent increase in sales! Arm & Hammer didn't stop there. Check out the company's website at `www.armandhammer.com` for a timeline of how it continues to reinvent uses for its core product.

Delivering with product development

If you have a good understanding of your market, another way to leverage your knowledge is to develop new products and services to meet your market's needs. When you hear the term *product development,* you may think about brand new products, but that's not necessarily the case. Executing a product development strategy can happen by adding more value to your existing product through features, upselling, or cross selling. The best things about this strategy are you've already established yourself in your current markets and you know what your customers want. You have the distribution channels, and you know how to reach them.

Consider the following questions if you're thinking about expanding your product line or developing new products:

- Will your customers benefit from the added value or new feature? Are they asking for additions to the current product line?
- Do potential manufacturing, marketing, and distribution cost efficiencies exist from an expanded product line? Can you share current costs across the new products or services?
- Can your current assets, brand, marketing, and distribution be used with the new product?
- Do you have the skills and capabilities to develop and produce the products proposed?

After you've given product development some consideration and have decided to proceed full steam ahead, here's how to develop new products and services to meet your market's needs:

- **Add new features or services by extending your current products.** For example, cellphone companies add on media packages for text messaging, additional ring tones, and Internet access. Here are a few ways to extend your current offering:
    - Adapt (adapt to other ideas and developments)
    - Modify (change color, motion, sound, odor, form, or shape)
    - Magnify (provide more for a higher price or provide stronger, longer, or extra value)
    - Reduce (make smaller, shorter, or lighter, or make a trial version)
    - Substitute (swap out other ingredients, processes, or power)
    - Combine (join other options, products, ideas, or assortments)
- **Develop additional models and sizes of your current products.** For example, the iPod expanded to the iPod mini and the iPod nano.

- **Develop totally new products.** In this case, you usually leverage your brand recognition. Some good examples of this development are Gerber producing baby clothes and a CPA firm expanding from tax work into financial planning.

Your success with your current products in a market doesn't guarantee success with new ones. The classic failed product development strategy was New Coke, which Coke introduced in the '80s as a replacement for Coke. Coke assumed that its customers would gravitate toward a newly-developed formula only to realize, too late, that its cola drinkers were fiercely loyal to the traditional flavor. Needless to say, the new product fizzled.

Nowadays, Coke introduces new products along with existing products, even if they overlap (like Coke Zero and Diet Coke — both diet sodas, but one isn't replacing the other). The lesson here is don't trash what's been working just fine when trying something new.

Extending scope with market development

You can grow by leveraging your product knowledge to reach new customers. More than likely, you've spent time and money developing your product and service offering. Assuming you're happy with your current offering, extending it into new markets is a logical next step. Taking that next step is aptly called a *market development strategy.* If you identified potential new markets as opportunities in Chapter 10, you can use these strategies to reach them.

Here are some considerations to make before executing a market development strategy:

- Is the market attractive? (To really answer this question, I recommend some form of market research to validate your gut feeling.)
- Are you willing to commit the required time and resources to reach this new market?
- Can your business adapt to the new market?
- Will you maintain your current competitive advantage in this new market?

In the next two sections, I cover the two types of market development strategies.

Expanding geographically

When you're thinking about expanding, first think about where you want to cultivate new business. Your options are to expand to other regions locally, nationally, or internationally. Geographical expansion works well for a company that wants to expand its service territory because it needs a physical location to serve its customers. Clearly your ability to expand is subject to your ability to finance such an expansion. See "Deciding how to execute your growth strategy" later in this chapter.

Many of the big boys of business, including McDonald's, Wal-Mart, and Home Depot, have exported their operations to other countries. On a smaller scale, many microbreweries have opened up new locations in various metro areas and airports in the United States as a way to expand their geographical reach.

Reaching into new market segments

You can also grow by reaching a completely new set of customers or market segments. This area is such a popular growth strategy because you leverage the products and services you've developed. (Flip to Chapter 9 for the entire story on new market segments.)

Examples of this strategy abound, such as Bayer aspirin now being sold not only for aches and pains but also for heart attack prevention if taken daily.

Stepping out with diversification

Sometimes you just need to bust out and try something new — like learning the polka. Or if you're a tobacco firm, buying a packaged-food company; a cola firm entering the water business; or a chemical company going into the spa supply business. All these moves, except the polka of course, are examples of diversification. (The polka would be diversifying your dance portfolio, but that's another book altogether.) *Diversification* is entering new markets with new products. Refer back to Figure 11-5 for how this strategy relates to the others.

Many companies appreciate the need to diversify but few use it as a way of relating to their markets. Fundamentally, this strategy is about creating new products with new product life cycles and making the existing ones obsolete. By doing so, firms launch new products that are developed not just for current customers but for new ones, too.

To execute this strategy, you usually manage a merger, an acquisition, or a completely new business venture. (See "Deciding how to execute your growth strategy" later in this chapter.) Well-known, highly innovative companies include Intel, Google, DuPont, and all the pharmaceutical companies.

A company's diversification strategy can be either related or unrelated to its original business. *Related diversification* makes more sense than unrelated because the company shares assets, skills, or capabilities. But many successful companies, such as Tyco and GE, continue to buy unrelated businesses.

Check out the next two sections for more information on related and unrelated diversification. Figure 11-6 also summarizes the reasons for related and unrelated diversification.

RELATED DIVERSIFICATION	UNRELATED DIVERSIFICATION
Sharing skills and competencies	Interest to the owners or executives
Leveraging a brand name	Reducing risk by operating in various markets and product lines
Using shared marketing skills and knowledge	Refocusing the company
Using sales and distribution capacity	Tax benefits
Exchanging manufacturing skills and know-how	Defending against a takeover
Access to research and development and new product capabilities	Obtaining liquid assets or other assets needed by the main company
Realizing economies of scale	Defending against a takeover

Figure 11-6: Choosing between related or unrelated diversification.

Related diversification

In related diversification, companies have a strategic fit with the new venture. To make this strategy work, you capitalize on the strengths or competitive advantage you've already established.

Richard Branson, famous for his company Virgin, has more than 300 companies that carry the Virgin name: Virgin Atlantic, Virgin Mobile, and Virgin Galactic — his most recent venture into space travel — are just a few examples. This related diversification strategy works because all the companies share the brand, marketing, public relations, and corporate knowledge.

Unrelated diversification

Unrelated diversification has nothing to do with leveraging your current business strengths or weaknesses. It's more about not putting all your eggs in one basket. For example, an investor diversifies his financial portfolio to protect against losses. Many entrepreneurs execute this strategy unknowingly by becoming involved in multiple, unrelated businesses. Unrelated diversification is the most risky of all the market level strategies.

Hypothetically, say the owner of a local IT consulting company decided to take over a failing sandwich shop because he always wanted to be in the restaurant business. Clearly, these two businesses are unrelated. But by accident, the business owner is executing a diversification strategy. He's now in the IT industry and the dining industry.

Growing up (and down)

Another potential way to grow is through *vertical integration* — moving up and down your supply chain. You can integrate forward by setting up operations closer to your customer, such as a clothing company opening up retail stores. Or you can integrate backward by moving closer to your raw material source, such as the clothing company opening a manufacturing plant. Although these strategies are less common than the others discussed in this chapter, they do have some benefits:

- **Direct access to supply and demand:** Eliminating the middleman in both directions is forward and backward integration. Getting direct access to your vendors and customers can be a huge benefit for many businesses.

  For example, many of the auto manufacturers moved forward by investing in the big car rental firms. Many companies seek backward integration because there's no source for a component they need. For example, when refrigerated warehouses were needed by meat packers, they built them.

- **Better control over the quality or availability of the product or service:** Many times, manufacturers need specialized raw material that's a key component in the end product. To gain better quality control and eliminate the risk of not being able to acquire the product, the company buys the vendor, which is *backward integration.*

  In order for Sony to guarantee content for its products, the company purchased Columbia Pictures, Tri-Star Pictures, and CBS Records.

- **Entry into a potentially attractive business area:** Manufacturers continually fight margin pressures. The best way to get control is to go directly to customers instead of through retailers, also known as *forward integration.*

  Companies like Nike have been successful in this area, whereas a company such as Universal Pictures hasn't.

Deciding how to execute your growth strategy

The preceding sections lay out different growth strategies. Now you need to evaluate which path you want to take. But in order to choose a path, you must decide how to execute the strategy.

By matching your growth strategies with your strengths, weaknesses, and opportunities, you can determine which ones to pursue.

IN THE PLAN

The best way to visually see your strategic choices is to create a Product/Market Grid. Developing this grid helps you prioritize and sort your options. Figure 11-7 provides an example; use it along with the following steps to develop your grid.

ON THE CD

Use the Product/Market Grid Worksheet located on the CD when you're ready to finalize your grid.

1. **Create a table that lists all your current and potential products down the left column and all your current and proposed markets across the top.**

   Refer to Figure 11-7 for an example of the grid in action. Note how *Current Market #1* and *New Market #1* have the highest priority based on projected market demand.

2. **Estimate the demand for your current and new products in each of the markets by filling in the cells different shades of gray.**

   For example, if the product has a potential high demand, shade the cell dark gray. If the product has a low demand, fill the cell with light gray.

3. **Based on your demand estimations, select your growth strategy.**

   Look at whether you're leveraging your product or your market knowledge in each market. For example, in the column titled *Current Market #1,* there's high demand for the two current products and one new one. To increase sales for the new product, the company will continue to serve the market by executing a product development strategy.

4. **Decide how to execute the growth strategy.**

   You need to base this decision on your knowledge and judgment of the resources you have to execute each strategy. Will you do it yourself, find a partner, or acquire a business? (See previous sections in this chapter on these endeavors.)

5. **Prioritize each group based on which is the best opportunity for your company**.

   Use this information to guide the development of your customer goals and objectives in Chapter 13.

	Current Market #1	Current Market #2	New Market #1	New Market #2
Current Product #1				
Current Product #2				
New Product #1				
New Product #2				
Growth Strategy	Product Development	Market Penetration	Market Development	Diversification
Strategy Implementation	Do it myself	Do it myself	Find a partner	Look at an acquisition
Priority	1	2	3	4

Legend – Projected Demand: High demand Medium demand Low demand None or N/A

Figure 11-7: Your market growth strategies.

Basing your project demand on market research and past sales is the best way to construct this grid. Although this info isn't always available, do your best to fill in the grid because it provides you with a good idea of how likely one strategy is compared to the others. If you have the time, jump online, talk to your sales people, or hire a market research firm to get the real data to fill in your Product/Market Grid.

Keep your Product/Market Grid handy. You use it again in Chapter 13 to develop your goals and objectives in your strategic plan.

Summarizing Your Selected Strategies

Now that you've worked through the different levels of strategy, it's time to summarize your decisions so you can start building your road map. Use the Strategy Summary Worksheet on the CD as a checklist to select strategies to embed in your plan.

Although good analysis, effective process, and market knowledge are key components to effective strategy development, they're not the only components. Developing strategic plans isn't easy, even though the process is spelled out and organized. As organizations put the strategic planning process in motion, it tends to take on a life of its own. Apply the concepts shared in this chapter that are applicable and jettison those that don't have relevance. The judgment of leaders and managers can ultimately make the difference between successful strategies and failed ones.

Create — Empower — Execute

OnStrategy is the enterprise, cloud-based leader in strategy management. Our online tools and hands-on services, including our flagship platform for empowering people to create and execute strategy, connects customers, employees and stakeholders to achieve enduring success.

As a strategy process leader and management partner, we believe strategy is more than simply achieving business goals. Smarter strategy builds smarter organizations. It inspires people to work hard, incite action and make things happen. Simply architected, thoughtfully executed, strategy moves mountains.

Whether you're just getting started, rolling out an organizational strategy, or managing execution, OnStrategy delivers the right tools and services to get the job done. Learn more at www.OnStrategyHQ.com.

Give it a try! All plans come risk free with a 14-day full featured trial.

1. **Start a Free Trial.**
   We built OnStrategy as an organizational platform and integrated tool-set for empowering people to create and execute strategy. Collaborative, intuitive and actionable, OnStrategy is helping thousands of organizations worldwide achieve their strategic objectives. All plans include a 14-day risk free trial with no long-term commitments.

2. **Create and Execute Strategy While Empowering Your Organization.**
   OnStrategy is a tailored, yet structured tool for facilitating every essential element of successful strategy. It fosters engagement, clarity, ownership, accountability and organization-wide communications at every step of the strategic process. Self-help resources, best-practices and templates provide real-world help when needed most.

3. **Supported by People Passionate about Strategy.**

   We built and support OnStrategy and are passionate about helping people achieve enduring success. Available to help throughout the strategic process, we offer practical hands-on services to facilitate strategy creation, empowerment, and execution.