

T What's Missing in Our Strategic Plans? | By Mark L. Frigo

This question haunts many executives. At a recent strategy retreat, executive management gathered to review the “first draft” of the strategic plans for the business units and the overall corporate strategic plan. Questions they kept asking: What are we missing? Are we focusing on the right initiatives?

Will this lead to better financial returns? Here are some questions to consider that can help uncover common gaps or overlooked areas in your strategic plans.

Is the Strategy Focused on the Right Goals?

Executive teams often get caught up in the details of a particular strategic initiative without fully considering how their activities will lead the company to superior financial returns. For instance, a specific new partnership will take foremost attention, or a new operational initiative like Six Sigma will be on the mind of every manager. The problem, of course, is that neither of these initiatives is a true goal of superior business strategy—it's a means to an end.

What goals should any new initiative be focused on?

- Fulfill unmet customer needs and
- Dominate increasing market segments.

These are two of the major tenets of Return Driven Strategy. So when contemplating any strategic initiative

like those mentioned above, you need to consider, “How will this new partnership help to better serve customers’ unmet needs? How will my partner help me to further dominate existing or new market segments?” If neither of these questions can be answered credibly, then forgo the plan, and go back to planning.

The same is true for new operational initiatives. Many companies have begun to adopt Six Sigma programs aimed at improving the operational effectiveness and efficiency of the business. But are these initiatives simply linked to reducing costs? If done correctly, the Six Sigma planning will describe how

this effort, noble as it may be, will ultimately contribute to the firm’s ability to produce products and services targeted at unmet needs in segments that provide the company growth.

At a recent strategy workshop, the advantage of this approach helped management focus their attention on the overriding big picture of their plans and avoid being buried in the details. Much of the discussion was



focused on internal processes and existing offerings for existing customers in existing market segments. By refocusing on the goal tenets of the Return Driven Strategy pyramid, we led discussion in the right direction.

How Well Do You Understand Customers' Unmet Needs?

Companies seem to miss this point in executive retreats, at least in terms of the level of knowledge required to achieve the goal. Often you see them conduct "customer surveys" to better understand the customer. Unfortunately, you can't run your company's strategy on a survey. Management may fail to take other necessary steps to truly understand customer needs. Are customer

surveys useful? Definitely—if written properly, the information is collected well, and other basics of good market research are followed.

But the survey alone won't do justice to truly understanding customers' unmet needs. Put yourself in the shoes of the customer. If you took a survey, even a well-written one, would it allow someone else to peer into your work, into your real needs, and how well? The best companies show an uncanny ability to know the customer so well that they can produce products and services the customer would never have known he needed in the first place.

Some other methods include face-to-face customer interviews. As much of communication today is nonverbal, hasten a guess as to how much is lost on paper surveys or even phone interviews. Another tactic is the "day-in-the-life" of a customer, spending some time with key clients or key representative consumers to see just how the products are being used. If planned creatively, with this activity you can gather incredible information in every industry from consumer goods to financial services.

Better-defined customer needs can be targeted and fulfilled more effectively. The path to value creation is always through the customer, which requires more in-depth, superior knowledge of the customer gathered in creative ways.

Better Defining Unmet Needs

Here are a few points on unmet needs that have helped management teams:

- The more potential substitutes, in any form, the less "unmet" the need.

Often companies consider their industry as competition. Real competition isn't based on industry but on any potential good or service that fulfills a customer's need better than your firm can.

- The goal is to continually find new needs, fulfill them, and then find more. Done on a continual basis, companies can create sustainable competitive advantages.
- Focus on the customer, not on your internal processes.

Moving Forward

Once a thorough customer-needs analysis is completed, management can focus on innovative partnerships that can help create new offerings that target the need. The company can then see what kinds of operational initiatives are most beneficial and how to prioritize its activities. Every initiative can be considered within this framework, or management has to consider whether it should even be a strategic initiative at all. ■

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