

## **Mastering Strategy**

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Leesvoorbeeld



# Mastering Strategy

An Inspirational Guide  
for Entrepreneurs and Managers

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Wim Buekens

P E L C K M A N S

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pelckmans.be  
Brasschaatsteenweg 308, 2920 Kalmthout, Belgium




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# Table of contents

<b>Introduction</b>			7
<b>PART 1</b>			
Strategy discovered	<b>Chapter 1:</b>	Strategy defined	13
	<b>Chapter 2:</b>	Strategic decision-making	23
<b>PART 2</b>			
The process of developing a strategy	<b>Chapter 3:</b>	The strategy process	35
	<b>Chapter 4:</b>	The difference between corporate strategy and competitive strategy	37
<b>PART 3</b>			
Getting a better understanding of the business environment	<b>Chapter 5</b>	Understanding the external environment	51
	5.1	Understanding trends and identifying opportunities for future growth	53
	5.2	Understanding the competition and discovering attractive industries	60
	5.3	Understanding the customer and discovering attractive market segments	77
	<b>Chapter 6</b>	Understanding the internal environment	87
	<b>Chapter 7</b>	SWOT analysis and strategic issues	95

**PART 4**

Making choices  
for the future

<b>Chapter 8</b>	Defining the business and creating a mission statement	107
<b>Chapter 9</b>	Setting goals and objectives	111
<b>Chapter 10</b>	Developing a portfolio with options for future growth	113
<b>Chapter 11</b>	Building up a competitive advantage in selected markets	119
<b>Chapter 12</b>	Building a sustainable business model	155

**PART 5**

Realising choices  
for the future

<b>Chapter 13</b>	Turning strategic choices into actions	175
<b>Chapter 14</b>	Creating an organisational culture that encourages action	193
<b>Chapter 15</b>	Creating an organisational culture that is intrapreneurial	205

<b>Epilogue</b>		229
<b>References</b>		233

# Introduction

## Why this book?

I wrote this book to give both entrepreneurs and managers a better understanding of what strategy is all about. Also the different – and sometimes even opposing – views on strategy by entrepreneurs and managers are fascinating, and in my opinion they can learn a lot from one another.

The biggest challenge in dealing with strategy is not so much about formulating the strategy, but rather in implementing the strategy and making things happen.

The strategy formulation part is more about understanding the world around you and, based upon a thorough understanding, being creative and making the best choices. This process is mainly linked to analysing carefully, learning, finding a good balance between making rational choices and trusting your intuition, and also being creative and daring to take calculated risks. Throughout this book we will see that often entrepreneurs deal with these questions in a different way compared to managers.

The strategy implementation part is very much linked to translating the strategy so that people working in an organisation do not just understand the future direction but also feel inspired and are committed to co-creating the future. Key words in the successful realisation of a strategy are clear communication, getting involvement and commitment, and constant (self-)monitoring.

In my view, successful companies find a good balance between rationality and intuition. People (and not only the ones at the top) see the bigger picture and make sure that the pieces of the puzzle come together in the end.

All of this requires creating 'the right context' for the people and is very much linked to strong leadership and organisational culture.

Having a convincing business model is one thing but making it work day in day out is a challenge for both smaller and larger organisations. Making strategy work is closely linked to people management; to being determined and flexible at the same time.

As you can see, the world of strategy is a world of paradoxes. And dealing with paradoxes can be difficult at times. I have been working in this world for many years now and have been dealing with strategy from different perspectives: as an academic, as a consultant and board member, and previously as a manager. This gave me the motivation to write an inspirational guide for entrepreneurs and managers. The time has come to share this passion of mine with you...

### How has it been written?

In this book the key concepts and models being used in the field of strategy will be explained and illustrated by many examples. Inspirational quotes are also included and reflections have been integrated too.

Do's and don'ts – and the reason behind them – are also included.

After all, strategy is more about asking relevant questions than finding the exact answers – or the one and only solution that in most cases doesn't actually exist.

The idea is that a lot can be learnt from the more than 15 cases throughout the different parts of this book. These cases bring stories from both smaller and larger companies, some of them well known and others still hidden treasures; some of them from Belgium and others from abroad... I hope that some of them may inspire you...

In this book you will immediately discover four different types of content: text for the key ideas and to explain the different concepts and models; inspirational quotes; reflection texts and, last but not least, cases.



## What is it about?

In the first part of the book, we will be looking at strategy from different perspectives and learn more about the way strategic decisions are made. We will also link this to the different way in which entrepreneurs think and act compared to most managers. Not only the advantages of 'having a strategy' – and finding out what this really means – but also the limitations will be discussed.

In the second part, the strategy cycle – which is the backbone for the development of a strategic plan – is introduced and also the difference between corporate strategy and competitive strategies will be explained.

When developing a strategic plan or a business plan it is crucial to get a better understanding of both the external and the internal environment. If a company makes choices without a thorough study of the environment, it is taking a huge risk. This will be the content of the third part.

Once we have a better understanding of the environment, we can start making choices. The business definition, the mission, goals and objectives and developing strategies provide steering and give direction for the future of an organisation. Just as important as making the right choices is the development of a business model that sustains these choices and helps to turn strategy into action. All these things will be discussed in part 4.

Part 5 is about making commitments. This is achieved by translating strategies into strategy maps and action plans and by defining KPIs to organise the follow-up and to check if the proposed actions are contributing to the success of the overall strategy.

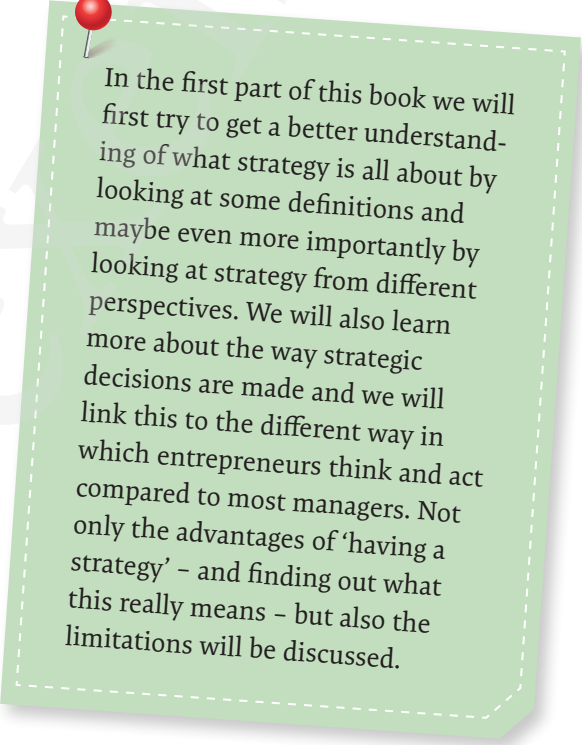
Creating an organisation that truly embraces entrepreneurship, where leadership supports people coming up with new ideas and creates a culture where people may fail in order to succeed, will not only result in strong commitments but also make companies more resilient and adaptive to change.

*Revitalising people has a lot less to do with changing people and has a lot more to do with changing the context that companies, that senior managers, create around their people.*



PART 1

## Strategy discovered



In the first part of this book we will first try to get a better understanding of what strategy is all about by looking at some definitions and maybe even more importantly by looking at strategy from different perspectives. We will also learn more about the way strategic decisions are made and we will link this to the different way in which entrepreneurs think and act compared to most managers. Not only the advantages of 'having a strategy' - and finding out what this really means - but also the limitations will be discussed.

INSPIRE

COMMIT

IMPLEMENTATION CONTROL

CHOOSE

PLANNING

UNDERSTAND

ANALYSIS



## CHAPTER 1

# Strategy defined

Some time ago a friend told me that success in business has two fathers: strategy and luck. If you think of the Covid pandemic, you can imagine that for start-ups in many industries these days, it is hard to survive even if you have an excellent strategy. On the other hand, it can be said that when you start a new business or run an existing business, chances of success will always be lower if you don't have a strategy.

Strategy can be seen as the art of the general in an army. It offers a helicopter view of what needs to be done in order to become or remain successful. This view will be translated into strategy maps and action plans that will steer the troops in the organisation.

It can also be linked to the 'HOW' and the 'WHY': looking top-down in an organisation, strategy will give people a better understanding of why certain things need to be done, and bottom-up it will help people at all levels of the organisation understand how their actions can contribute to the realisation of the strategy.

This brings us to an interesting question. What does it mean to have a strategy? Does this mean that you need to have a well-defined plan worked out down to the smallest of details? Or does it mean that you have made some clear choices for the future and, at the same time, that you have built in some flexibility to adapt your plan whenever needed?

*“The most reliable way to predict the future is to create it.”*

— Nikki Fogden-Moore

*‘If you don't have a strategy you will be ... part of somebody else's strategy.’*

— Alvin Toffler



### How experts define strategy...

According to Henry Mintzberg, strategy is commonly used as a plan for achieving goals; it is a pattern of actions used over time (Mintzberg, 1994).

Porter argues that competitive strategy is about being different, which means choosing a totally unique as well as different set of activities in a deliberate manner so as to deliver a unique mix of values to customers (Porter, 1996).

Thus strategy is a competitive position which helps the firm to become differentiated in the eyes of the target customers (Nickols, 2012).

### CASE Which of the two people below has a good strategy?

Let me describe the situation of two businesspeople that I met a few years ago when I was doing research on how CEOs and entrepreneurs deal with strategy:

The first person was CEO of a company employing around 650 people. When I asked him if he had a strategy for the company he was in charge of, he said 'yes' without even hesitating. When I asked him why he was so convinced, he showed me a strategic plan that was written according to the requirements of a good business plan. But when I started to discuss with him how the vision, the goals, the objectives, the strategic choices and the necessary actions were translated and communicated to all the people working in the company, who were supposed to contribute to the future success, I got a blank look. Later on in this book I will come back to the

fact that most things go wrong in strategy due to bad communication, which often leads to low engagement and poor success.

The other person I met was an entrepreneur who was much more humble and in a way somewhat insecure about what was needed in order to succeed. First he apologised for the fact that he had never taken the time to develop a business plan. But later on in our conversation I was impressed by how well he understood the industry, the market, the customer needs, the competition and the strengths and weaknesses of his own company. I told him that it might be useful to write things down in a formal plan but also that in his head he had made some excellent choices based upon a good understanding of both the external and the internal environment. The way he was dealing with the people in his organisation also indicated to me that he was great at inspiring and motivating them.

So which of these two businesspeople has a good strategy? Surely the one that could make some clear choices and that at the same time was able to make all the employees part of the success story, rather than the one that had a formal plan but was unable or too afraid to discuss the actions that were needed to be successful?

The statistician John Tukey once wrote that an approximate answer, often not so clearly formulated, to a relevant question is much better than an exact answer, that can always be formulated very precisely, to the wrong question. So strategy is all about asking questions and trying to choose the best options based on this.

Strategy is therefore also all about making choices and the most difficult choice for managers and entrepreneurs is often what not to do or what not to do anymore. Not being able to make choices often results in mediocrity and underperformance.

*“Sometimes strategies must be left as broad visions, not precisely articulated, to adapt to a changing environment.”*

— The Fall and Rise of Strategic Planning by Henry Mintzberg, HBR  
January-February 1994

I remember a story that I read in one of Henry Mintzberg's books and decided to do some research on the history of this Canadian company called Steinberg Incorporated:

In 1917, Ida Steinberg opened a small grocery shop in Montreal, determined to 'give customers a little more than they expect'. From this modest beginning, the Steinberg family created the empire of food shops, department stores, restaurants and real estate that Steinberg, Inc. is today.

Ida's son Sam rented an adjacent shop in 1919, and seven years later, the second independent shop opened in Montreal. By 1930, Sam was operating four shops. He decided to incorporate the company under the name Steinberg's Service Stores Limited that year, and became president.

Like many grocers at that time, the shops were full-service grocery shops that offered delivery services. But in 1933, Steinberg opened a tenth shop that was its first self-service one. Self-service was a new idea at the time, but as this was during the Great Depression it quickly became a very popular one: at this 'cash-and-carry' operation, prices were as much as 20% lower. Steinberg continued to be a trendsetter in the industry when, in 1937, it opened its first two supermarkets, the first in Canada equipped with separate coolers for meat and dairy products. With these shops, Steinberg was also a pioneer in the use of cellophane packaging, as well as in providing car parks for each shop. Six years later, Steinberg installed its first self-service meat counters, where customers could select their own cuts of meat without the help of a butcher.

According to Henry Mintzberg, one important weekend in 1933, Sam Steinberg found out that one of his shops was suffering from losses. He closed the shop on Friday night, installed the self-service formula, lowered the prices by about 25%, changed the name, gave instructions to create a brochure and distribute it in the neighbourhood, and re-opened the shop on Monday morning. Talk about strategic change! Afterwards he said: 'We grew tremendously'. Fortunately, Sam did not have to cope with a strategic planning system!

Today we would call this disruptive change that leads to a new business model. What is interesting about this story is that implementing such radical change in such a short period of time is only possible for smaller companies.



These days, Steinberg Incorporated has a turnover of nearly four billion US\$ and over 26,000 employees, which creates a lot of slack when being confronted with major changes. Larger organisations are much slower in adapting to change since often rules and procedures and even bureaucracy have become important.



Henry Mintzberg (2000) sees strategy as an emergent process where you start with a plan (the '*Intended Strategy*') but where fully realising the things written down in the plan are not a goal on its own. So in reality, only part of the plan that you made today will have been realised three or five years from now. This is because of two reasons. The first reason is that some of the things you had in mind and in your plan some time later while executing the plan, you decide not to do because it didn't seem to be a good choice after all. This is what we call the '*Unrealised Strategy*'. Another reason is that, on your way to the future, some opportunities might pop up – opportunities that you could never have foreseen. Since these opportunities can disappear just as quickly as they arrived, they might already be irrelevant if you wait until the next edition of your strategic plan. This is called '*Opportunistic Strategy*'.

So in the world of strategy it is all about 'adaptive planning' which means finding a balance between sticking to your plan and keeping some flexibility. In other words, as John Lennon once said: 'Life is what happens to you while you're busy making other plans'

## A definition of strategic management

When you google 'definition of strategy' you arrive in a jungle with over two million definitions.

But when we take away the jargon and the mystery, strategy is not that complex.

It is about listening to what (potential) customers have to say, being very clear about the issues that matter for you, asking simple questions and making some hard choices. Then, it's about getting your people to support your decisions and to motivate them to turn these decisions into actions and results. When things that worked before don't work anymore, then it's about finding new ways to make them work again or to start doing entirely new things.

In my definition below you will see that it is all about meaningful positioning (making good – and if possible 'the best' – choices after having a good understanding of what is happening around you), defining a timespan – or setting deadlines – and developing an operating model that makes it possible to create value not only for the customers but also for the other stakeholders.

The definition consists of three components:

- The first component relates to the **meaningful positioning** within an environment of a company or a division of a company. Positioning refers to giving your company a position among your competitors in such a way that it makes sense for the customer. This so-called customer-centric approach is in my view very critical since if your positioning doesn't make sense from the perspective of the (potential) customer there is absolutely no reason why they would start buying from you. This is also where the customer value proposition leads to a competitive advantage. The environment is important since without a good understanding of the business environment (the market, the customer needs, the competition and the broader industry trends), positioning becomes an empty concept.

Meaningful refers to the long-term goals. There are three types of goal that can be set:

**Continuity goals** refer to the long-term survival of the company. They can be linked to turnover, market share, growth in turnover or market share, and also to profitability.

**Social goals** refer to the relationships within your organisation. They are related to the well-being of the people working in the company. Examples are programmes that improve people's motivation, programmes that prevent people from experiencing stress, and many others. Often there is a clear link with the leadership style and the organisational culture. It is obvious that by working on social goals, job satisfaction can be improved and people feel more involved and committed. In this way they contribute to the continuity goals and the overall business success.

**Societal goals** refer to the relationships between your organisation and the broader external world. By taking better care of the environment (by bringing down emissions in production activities and by supporting projects that are beneficial for society) you will boost the corporate image and indirectly boost the sales.

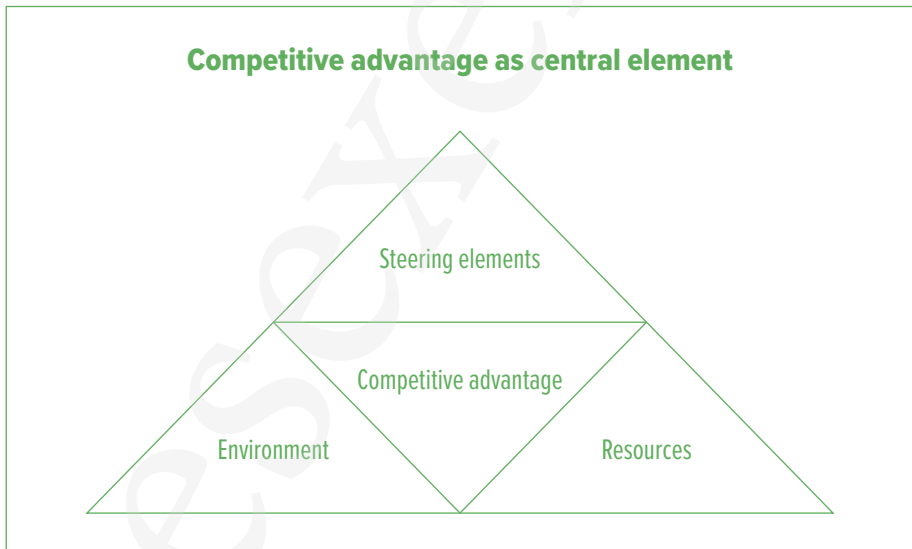
- The second component is the idea of a **well-defined time span**, by which we mean that you need to work with deadlines and that the short-term objectives need to be SMART.
- The third component says that there are **different possible ways** to realise these goals. Later on in this book, when we talk about strategies, we will learn that different companies in the same industry can be successful even if the strategic route they follow is completely different. If we look at Colruyt and Delhaize in the food retail industry, it is clear that although the strategic route taken by each of them is different, both have been successful over the years.

The ultimate goal is that the three components discussed above make it possible to realise a sustainable competitive advantage. You can take this literally and understand it to mean that they help you to have an advantage over the competition or that they give customers a reason to buy from you when taking into account the customer perspective.

The word ‘sustainable’ means that you need to be able to build up a competitive advantage that will last over time. Let me give you an example: when looking at the marketing mix, the fastest way to grow your market share is by significantly lowering the price. The only problem with this is that in most cases this won’t be sustainable since either the competition will, as a reaction, also reduce their price, and the overall margins will go down, or prices will be so low that you start making losses, get expelled from the market and smart competitors won’t even try to follow your pricing strategy. In both cases, after some time it will become clear that this strategy doesn’t make any sense.

### The strategic triangle

The strategic triangle is a tool to build up or to restore a competitive advantage.



Let me first explain the different elements:

### *What do I want to do?*

Steering elements are all these things that give direction to your organisation. It can be the business definition (how you define the business for your organisation), the (long-term) goals, the (short-term) objectives or the strategies that are being followed.

### *What can I do?*

The resources refer to the resources you have. These can be money/capital, human resources, knowledge and sharing this knowledge. A solid resource base will help you in the realisation of your goals and the actions that are necessary to support your strategies.

### *What should I do?*

The environment refers to the external world (the market, the customer needs, the trends that are evolving and that may impact your industry) and can be linked to opportunities and threats for your organisation.

The key thing behind the concept of the strategic triangle is *finding a good balance* between these three elements. Only by finding a good match between what the environment is expecting from us (What should I do?), our own ambitions (What do I want to do?) and our own capabilities (What can I do?), will we be able to realise a competitive advantage.

Also the more *tensions* there are between these elements, the harder it will be to build up or sustain a competitive advantage. If for example a company wants to double its sales but it is confronted with changing market needs, this will create tension between our ambitions and the environment, eroding its competitive advantage.

Sometimes when holding strategy workshops with companies, I use this tool in order to bring tensions to the surface and have a discussion about how to resolve these tensions in order to restore or improve the competitive advantage.



# Strategic decision-making

## How do executives make decisions?

In order to make decisions there are two types of information needed: hard and soft information.

*Hard information* is information coming from information systems such as sales data or data from the accounting department. This information is usually quantified and hence reliable but the big disadvantage is that most of this data is about the past. An exception to this is data coming from market research that tells us something about expectations of future behaviour. Hard information is historical and maybe even more important: it misses nuances and details and does not explain why things are going in one direction or another.

*Soft information* is information based on gossip, impressions or info from conversations. It is less accurate and also often less reliable since it depends on the memory of people. It can even be intentionally deformed when people want to avoid telling you the full truth.

Given the characteristics of both types of information, rational people would definitely prefer hard information over soft information. The only reason why, in my view, strategic decisions rely more on soft than hard information is to do with the fact that when you want to learn more about the future, soft information is key. And as we all know, strategy is more about the future. We should only consider the past as a source of knowledge to make better choices for the future.