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Create a **winning strategy** for the recovery

Mike Strain

When done right, the strategic plan is your road map to navigate important business choices and priorities. Strategic plans prepared before the downturn are out of date and need to be updated to reflect a notably different recovery stage. Forward-thinking producers, in addition to dealing with pressing day-to-day business issues, are crafting long-term strategies to identify pathways to success in this new environment.

Dramatic changes in the economy—from a growth period through a severe downturn and then into a slow, choppy recovery—are tough to handle. However, these periods of volatility lead to disruption and change, which a clever management team is able to exploit to improve its business position.

This article provides strategic planning recommendations to help producers create more-effective long-term plans. It also summarizes a number of major strategy options that producers should evaluate. An effective strategic plan is needed to take advantage of the opportunities available during the next phase of the business cycle. Producers should aim to identify and then implement strategies to achieve top industry performance levels.

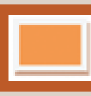
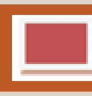
The importance of a good strategy

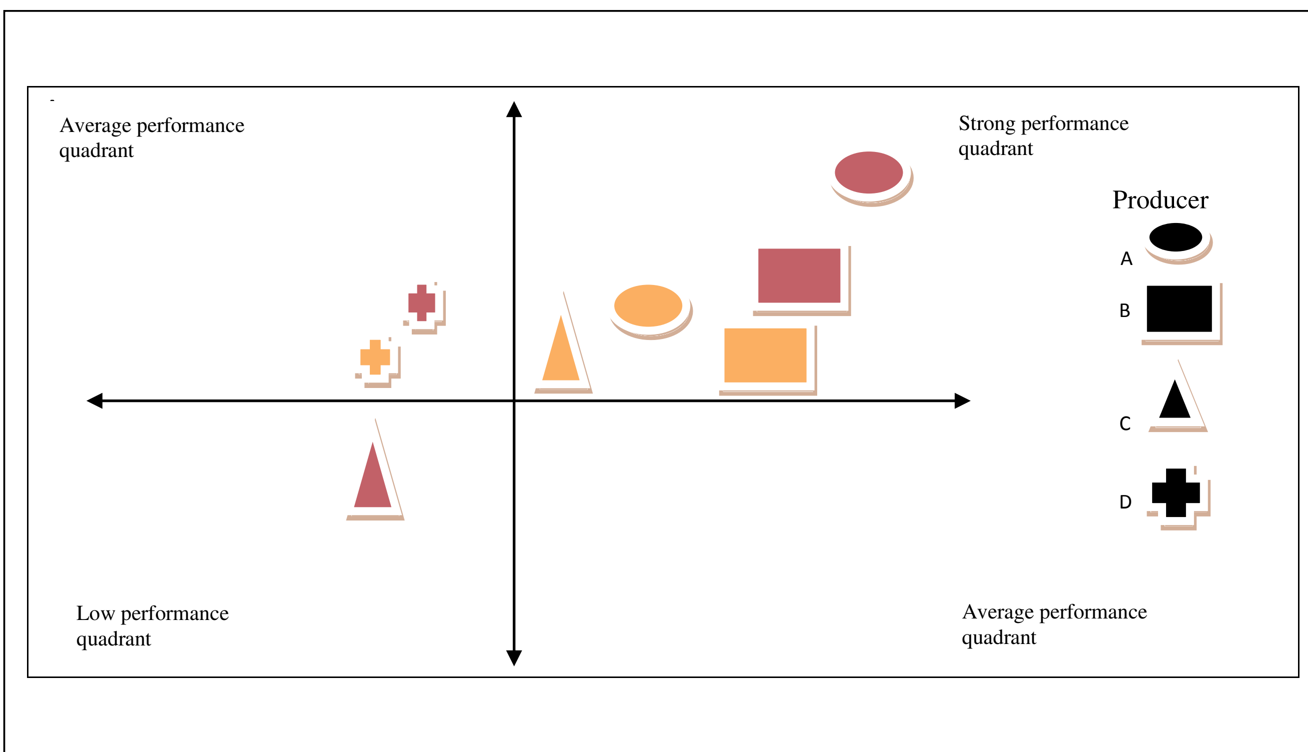
Suppose you had the opportunity to evaluate the relative business performance of four producers (A, B, C, and D) over the period of sustained economic growth from 2003 to 2007. The producers compete in the same geographic region. Their performance is evaluated and then broadly categorized as strong, average, or low. At the start of the period, producers A, B, and C earned a strong performance rating and D earned a performance rating of average. Five years later, performance was evaluated again. This time, only A and B earned a strong rating, D continued to earn a rating of average, and the rating for C declined from strong to low.

So in this example, producer A has substantially improved its position, B and D have slightly improved, and C has declined noticeably. This happened not by chance but because A employed effective strategies to improve its position, B and D were simply going with the flow, and C selected strategies that had a negative impact.

To assess the effectiveness of prior strategies employed in your business, a good exercise is to plot a performance rating for your business against competitors over a three- to five-year period. Factors to assess business performance include improvement in profit ratio (profit as a percentage of revenue, return on investment), revenue and market share, customer satisfac-

Producer business performance rating change over five-year period

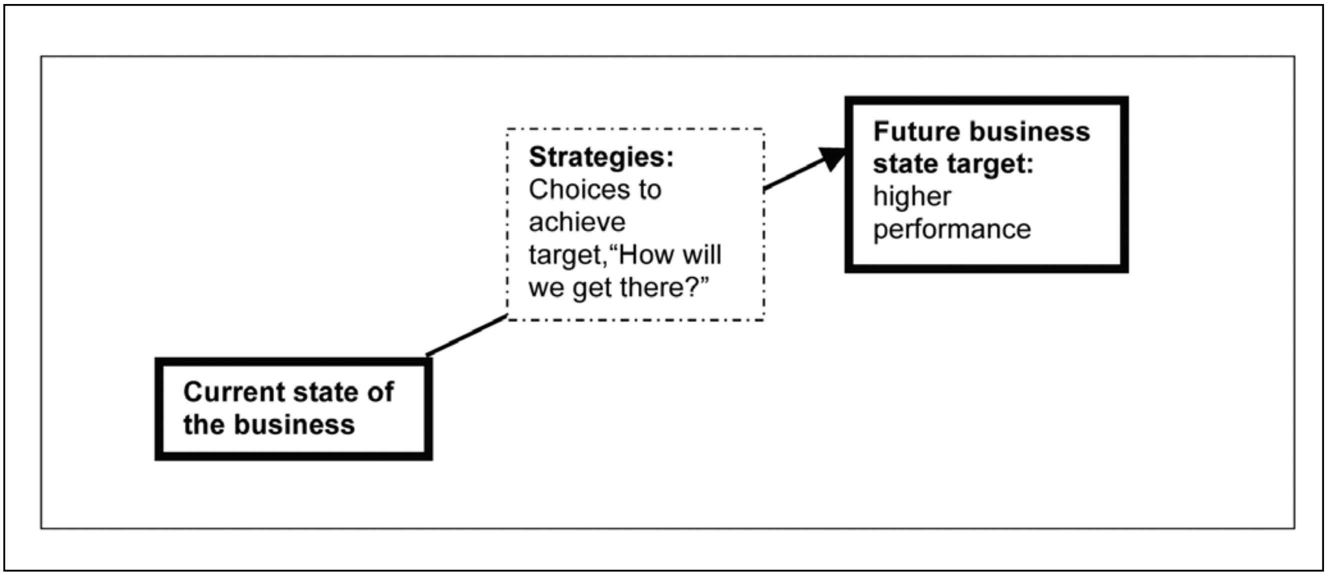
Evaluation factor			Rating
	Performance rating at start	Performance rating at end	Five-year performance rating trend
Producer A			Strong producer, made noticeable gains
Producer B			Strong producer, made minor gains
Producer C			Strong producer, declined significantly to weak category
Producer D			Average producer, made minor gains



This graphic shows the producer business-performance rating change over a five-year period.

tion, productivity and cost structure, organization capability, innovation, company culture, and others.

To further illustrate the impact of effective strategies, consider examples over the same time period from industries other than precast concrete: in high tech (HP stronger and Dell weaker; Google stronger and Yahoo weaker), in retail (Sears weaker and Walmart stronger), or in automotive (GM weaker and Ford stronger). The strategies selected by the management teams of these businesses contribute significantly to differences in long-term performance.



Strategy plays an important role in transforming your business for improved performance.

Your business strategy for the next three to five years

Looking to the future, where will your strategy for the next three to five years place your business relative to competitors? Will your position strengthen, weaken, or stay the same?

The ability to create and implement a winning long-term plan for a business is a key performance measure for the senior management team. To highlight the importance of a strategic plan, picture a scenario in which your business has been acquired by a new ownership group. They ask senior management to outline their long-term plan to advance the business. If your management team were asked to respond to that question, how would the quality of the plan be rated? A compelling answer means that a complete, well-thought-out strategy is in place.

Strategic plan basics

Strategic planning consists of three major activities:

- Current situation assessment: Analyze the current state of the business and markets.
- Future state definition: Determine where you want to go. What goals will you set? What is your vision?
- Strategy selection: Identify, compare, and choose strategies to achieve the future state.

Many items need to be considered to analyze the business's current situation:

- financial history
- sales trends (revenue and margin) by market segment
- competitor and customer analysis
- market size and share
- strengths, weaknesses, and competitive advantages
- core values
- capability assessment (people, competitiveness, innovation, facilities)

To define the future state, consider the following factors:

- mission statement
- future vision
- opportunities (markets, trends, new products, expansion)
- threats
- positioning (points of differentiation)
- shareholder return and risk expectations

With a thorough understanding of the current situation and a vision for the future state, strategy options can be identified, evaluated, and prioritized. Ultimately, strategy is about choices. How and where will we compete? Where do we have (or where can we create) a sustainable advantage? How will we grow? Where should we change? How aggressively should we pursue our objectives?

Precast concrete industry strategic planning

Generally, precast concrete producers can strengthen their strategic planning capabilities. The following summarizes six common improvement opportunities.

Six steps to improve precast concrete industry strategic planning capability

Strategic thinking skills	More strategic, broader, longer-term thinking skills; build on strengths related to short-term priorities and tactics
Market analysis	Deeper, more accurate understanding of market segments, total market size, market share, and solution features relative to competitors
Competitor analysis	Deeper, more accurate understanding of competitor strengths and weaknesses
Business self-assessment	Deeper, more accurate assessment of internal strengths, weaknesses, and competitive advantages
Innovation	More innovative approach so that the new strategic plan looks less like the old strategic plan
Strategy implementation	Improve strategy implementation by setting clear goals and progress measures; monitor progress

Strategic thinking skills

Almost all precast concrete management teams excel at short-term planning and execution. Intense day-to-day pressures often mean that long-term planning skills are underdeveloped and need to be strengthened.

Market analysis

In-depth market knowledge is needed to assess competitive advantages and identify opportunities. Commonly, market size and market share trends are not analyzed. In addition, the features of your solution (that is, what customers buy from you) are often not objectively evaluated relative to the solutions offered by competitors. Without this kind of information, management might miss opportunities or threats.

Competitor analysis

Producers often take shortcuts in competitor analysis. The more you know about competitor size, strengths, weaknesses, business direction, and strategy, the better you can maximize your strengths and capitalize on their weaknesses.

Business self-assessment

A sound strategy begins with a good understanding of your company's strengths, weaknesses, and competitive advantages along with a thorough knowledge of your customers, markets, and market opportunities. Management teams often struggle to accurately assess their own businesses. For example, competitive advantages such as "we have the best people," "we are the best at customer service," "we have the best relationships with the most customers," and "we have a track record for tackling the tough jobs on time" are common. They are so common, in fact, that two producers in the same market often claim identical, unique points of differentiation. Remember that a key goal of strategic planning is to identify distinct competitive advantages that competitors can't duplicate.

Lack of innovation

Management teams might not challenge themselves to discover and pursue new opportunities, resulting in a new strategy that actually mimics tactics that have already been tried.

Strategy implementation

Implementing the new strategy is a critical step, requiring clear strategic goals, progress measures, and an implementation process.

Strategy options for producers

Strategy is about choices. Many pathways are available to achieve the long-term goals set for a business. The key is to do the following:

- Identify viable options.
- Evaluate the pros and cons of each option.
- Make your choices. Remember to focus on a small number of high-impact strategies; don't dilute your efforts by taking on too much.

Identifying strategy options is a key step in the process. To assist, we've listed examples of strategy choices that should be evaluated by most

Common strategy options for producers

Markets and growth	People and organization	Advanced operational excellence	Innovation	Capacity	Other
Advanced sales program	Best and brightest	Improvement as a core competence	Products and services	Consolidate	Alliances
Market share leadership	High-performance culture	Information leadership	Processes	Merger	Technology
Growth		Simplify	Business model		Niche
Trend leadership					
Service					
Diversification					

producers. Each of these alternatives offers the potential to create a competitive advantage. Other, more advanced strategy options are also available but are not listed here.

Market- and growth-related strategy options

- **Advanced sales program capability:** Create a sales program capability that is unmatched by competitors. This means stronger relationships at higher levels, earlier influence, and more information on sales opportunities.
- **Market-share leadership:** Businesses with the highest market share (first or second) enjoy a number of advantages, such as being the solution provider of choice, while those with low market share are viewed as getting the leftovers. Strive to be the market-share leader in selected market segments.
- **Growth:** Encourage revenue growth through a variety of tactics. Increase market share in current markets, enter new market segments, develop new solutions for current geographic markets, or grow by expanding into a new geographic market.
- **Trend leadership:** Lead in a new market trend, such as sustainability. While competitors are busy battling over sales in traditional, highly competitive markets, succeed by establishing a leadership position in an emerging market.
- **Service:** Differentiate by concentrating on providing unmatched levels of service. Although this is an old strategy, it can still work effectively in certain markets.
- **Diversification:** Leverage existing capability to enter a new business segment with higher margin or growth potential (either through a start-up or an acquisition).

People and organization strength strategy options

- **Best and brightest:** Differentiate your company and improve performance by building a team that is noticeably more capable than competitors.
- **High-performance culture:** This option is related to the best and brightest option above but takes your company's performance to the next level by creating a culture of high performance, in which your team operates far more effectively than competitors'.

Advanced operational excellence strategy options

- **High competency level with continuous improvement:** Many producers are adopting formal continuous-improvement programs, such as lean manufacturing. Differentiate your business by developing a core competency

at continuous improvement, meaning that your pace of progress is faster than competitors'. Compete by creating a widening cost-structure advantage. Develop an agile organization.
- **Information leadership:** Use management information technology more effectively to make quality business decisions more quickly.
- **Simplification:** Simplify your business by reducing unneeded complexity and layers. Lower costs and respond more quickly.

Innovation strategy options

- **Innovative products and services:** Compete by building a capability to regularly create new products or services not offered by competitors.
- **Innovative processes:** As with the advanced operational excellence strategies already noted, a point of differentiation is the ability to create processes that are faster, lower cost, or higher quality than competitors'.
- **Innovative business model:** Define a new business model that opens new opportunities in less-competitive, higher-margin segments.

Capacity strategy options

- **Removal of capacity through acquisitions:** At this point in the business cycle, industry capacity is as much as double the total demand from customers. Until this capacity is utilized, margins will remain under pressure. Producers with a strong balance sheet can reduce capacity and consolidate markets by acquiring weakened competitors.
- **Removal of capacity through mergers:** Small and midsized producers can merge with other similarly sized organizations in order to rationalize capacity and build economies of scale.

Other strategy options

- **Alliances:** Producers can strengthen their positions by forming alliances to share resources. Potential alliance partners include other producers, suppliers, and even customers.
- **Technology:** Producers can gain a competitive advantage by excelling in the use of technology as a means to improve competitiveness (for example, lower costs, higher quality, and faster response). Examples include plant automation, three-dimensional models, and other technology applications.
- **Niches:** Focus tightly on a particular niche where you have strong advantages.

Keys to success

I've summarized common strategy options that should be evaluated by most producers. Other effective strategy options are also available.

They key is to identify, evaluate, and choose strategies that will best allow you to achieve longer-term business goals. After the strategies are evaluated and final choices are made, tactics and action plans to implement the strategies will be put in place. Remember, though, that the initial selection of strategy options will have a significant influence on the level of success that is achieved.

Following are other keys to success:

- Be rigorous in developing your strategy, avoiding the temptation to take shortcuts or perpetuate existing strategies. Deeply analyze markets, competitors, strengths, weaknesses, and opportunities.
- Accurately assess each strategy opportunity. Evaluate the size; attractiveness (return, competition); and required investment in money, people, and time. Watch out for the grass-is-greener trap in which a change is made but no net gain is achieved.
- Match strategies to capabilities. Don't over- or underestimate your capability.
- Be selective. A laser focus on a small number of key strategies (sometimes as narrow as a single important strategy) will create more success than efforts to simultaneously pursue too many options.

Action-plan summary

Position your business to achieve top levels of performance during the next phase of the business cycle:

1. Update your strategic plan using an effective process.
2. Assess, select, and invest in the right strategy options.
3. Implement the selected strategies.
4. Advance your position during the recovery phase.

Many producers use an annual two-day meeting as a means to update their strategic plans and set priorities for the coming year. Given the magnitude of the changes in this business cycle (and the resulting opportunities), producers should invest more time to craft an in-depth strategic plan to guide important decisions for the next three to five years.

Use a sound process and a good amount of creative thinking. Strengthen the longer-term, strategic thinking skills of your senior management team. Define and implement a winning long-term strategy to achieve top levels of business performance. As the economy recovers, use your highly effective strategic plan as a road map to surpass the competition.

About the author

Mike Strain is president of MJS Management Services, a management consulting firm dedicated to assisting precast concrete management teams with the transformation to higher performance and profitability. The group consults for a wide range of producers and provides solutions for strategy and business planning, productivity improvement, lean manufacturing, high-performance organizations, sales, technology, and operations.

Synopsis

Position your business to achieve top levels of performance during the next phase of the business cycle.

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Reader comments

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