Is Your Strategy Obsolete?

By Rich Horwath

We as human beings don't like to change. The Johns Hopkins school of Medicine reports several studies of people who underwent a type of heart surgery called CABG, or coronary artery bypass grafting. The doctors met with patients right after the heart surgery and told them they must make changes in their lifestyles, including diet, exercise, and medication. Two years later, the percentage of patients who did not make any sustainable changes was 90 percent. That's right—90 percent of patients made no changes despite being told that without those changes, they had a greater chance of dying.

If it's that difficult for people to make personal changes when their lives are at stake, what's the chance we'll change our business strategy when the time comes? And exactly how do we know when the right time is to change it? One thing is for sure: not changing strategy at the right time can start a death spiral for your business.

Research by The Conference Board has shown that 70% of public companies experiencing a revenue stall drop more than half of their market capitalization. More than half of those companies experience a consistent future decline in revenue growth rate. Approximately 38 percent of these companies have a future with no growth. The ability to modify strategy at the right time can literally save or destroy a business. Here is a checklist of five moments when it is critical to reevaluate your strategy.

1. Goals are achieved or changed.

Goals are "what" you are trying to achieve and strategy is "how" you're going to get there. It makes sense then if the destination changes, so too should the path to get there. As you accomplish goals and new goals are established, changes in resource allocation are often required to meet them. In some cases, goals are modified during the course of the year to reflect changes in the market, competitive landscape or customer profile. It's important to reflect on the strategy as these changes occur to see if it also needs to be modified.
Ask: Have goals been achieved or changed?

2. Evolution in customer needs.

The end game of business strategy is to serve customer's needs in a more profitable way than the competition. But, as the makers of the Polaroid camera, hard cover encyclopedias and pagers will tell you, customer needs evolve. The leaders skilled in strategic thinking are able to continually generate new insights into the emerging needs of key customers. They can then shape their group's current or future offerings to best meet those evolving needs.
Ask: Have customer needs changed?

3. Innovation in the market.

The word innovation is used by almost everybody and practiced by almost nobody. While there are thousands of articles and hundreds of books on innovation, the simplest definition is "creating new value to customers." The new value may be technological in nature, but it can also be generated in many other ways including service, experience, marketing, process, etc. It may be earth shattering, or it may be minor in nature. The key is to keep a tight pulse on the market, customers and competitors to understand when innovation, or new value, is being delivered and by whom. Once that's confirmed, assess your goals and strategies to determine if they need to be adjusted based on this new level of value in the market.
Ask: Is there new value in the market?

4. Competitors change the perception of value.

For many years, fast food was fast food. There were burgers, tacos, chicken, pizza, and hot dogs–the standard fare. Within each category, there was greater similarity between competing offerings than distinction. Enter Chipotle, a company who has focused on a "Food with Integrity" campaign in which their healthy ingredients have played the starring role in their burritos, tacos and salads. Sourcing their food from farms rather than factories, they became the first national restaurant chain to voluntarily disclose the presence of GMOs (genetically modified organisms) in their food. There are many factors in why people choose products and services. Increasing the perceived value of an aspect of your offering--in Chipotle's case, ingredients–through marketing campaigns, social media, celebrity endorsers, and so on, is a real weapon or threat, depending on your position.
Ask: Have competitors changed the perceived value of their offerings?

5. Your capabilities grow or decline.

A final consideration when determining whether or not to change strategies falls under your own roof. Having led strategic planning sessions for the past 15 years, I know how challenging it can be for organizations to honestly evaluate their capabilities and their effectiveness. A list of 25 strengths during the SWOT Analysis is one indication. However, objective assessment of the group's capabilities relative to the competition is a starting point. If they have significantly grown, it may open up new avenues or strategies for increasing profits. If the capabilities have declined, it may call for new strategies, be they neutralizing or exit.
Ask: What is the state of our capabilities?

Competitive advantage is not about beating the competition. Its intent is to create superior value versus rivals. Your business strategies should enable you to profitably provide that value. But, sometimes things change. The question is–should your strategy change too?

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Rich is the founder and CEO of the Strategic Thinking Institute, and has helped more than 50,000 managers around the world develop their strategic thinking capabilities to increase profit and productivity. A former Chief Strategy Officer and professor of strategy, he brings both real-world experience and practical expertise to help groups build their strategy skills. Rich is a ***New York Times, Wall Street Journal*** *and* ***USA Today*** *best-selling author on strategy and has appeared on ABC, NBC and FOX TV. Sign-up to receive your free copy of* ***Strategic Thinker*** *by visiting www.strategyskills.com.*