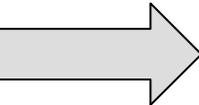


What Colour Is Your Strategy?

VLA Guest Speaker Hour Series

July 6, 2006

Outline

- 
- Strategy, not tactics
 - Inside out, outside in
 - Winning strategy
 - Tools
 - Vision in to action – making strategy happen
 - Strategy and leadership

Strategy – the heart of commercial activity

Structure follows strategy

- Creating successful repeatable models
 - Founded on fact base
 - Driven by insight, fuelled by innovation
 - A L I C E
- Consistent roadmap for bringing vision to life – bridge between dream and reality
 - Robust enough for all seasons
- Operating handle
 - Steer for purposeful navigation and for tracking progress
 - Radar to return when changes to the path are necessary
- Anchor in turbulent times
 - Focus in periods of confusion
- Basis for intelligent but hard choices – especially in the face of opportunity

The object of strategy is to win, but what is winning?

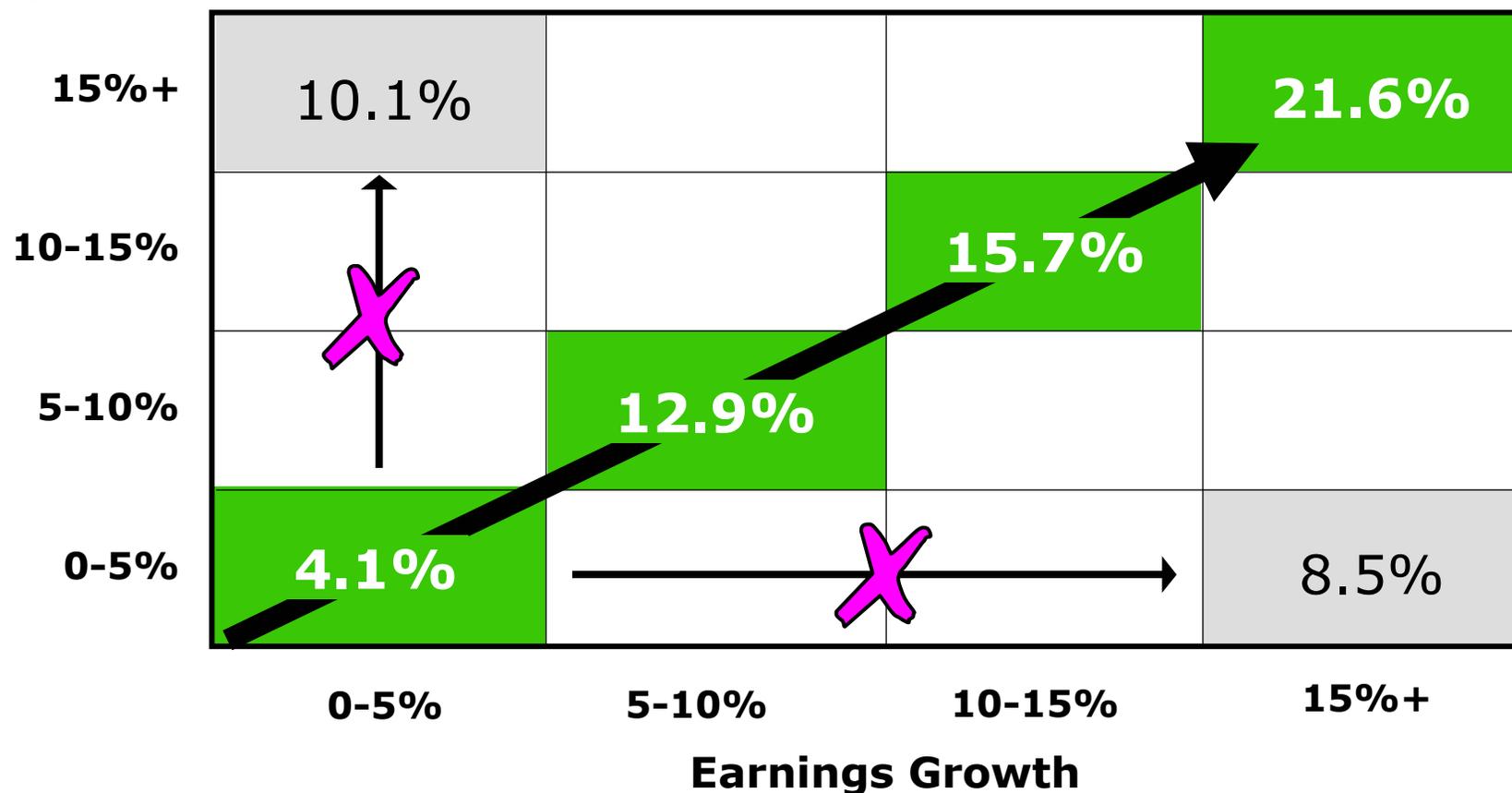
1. Gaining share
2. Driving revenue growth
3. Improving margin
4. Converting profit into cash flow

Strategy without numbers is poetry

Driving NSV AND Margin is the surest way to drive TSR

Relationship Between Total Shareholder Returns & Top/Bottom-Line Growth¹

Revenue Growth



1. 10 year average; data set of 8,400 G7 companies

3 core questions to create an effective strategy

1. **Where will we Play?** What is the biggest value commercial opportunity that we have the best chance of winning?
2. **How will we win - Positioning?** What benefits that consumers and customers want can we deliver better than our competitors?
3. **How will we win - Changing consumer behaviour?**
 - a. How will we win - Point of **Awareness**?
 - b. How will we win - Point of **Buying**?
 - c. How will we win - Point of **Consuming**?

It's simply... 1,2,3 A B C

What Do We Need to Do to Win Again, Again and Again?

■ “The things that distinguish all winners

- They pick their fights – Where to Play – the biggest value opportunity they have the best chance of winning
- They figure out their “How to Win” strategy from knowing their opponents and their own strengths and weaknesses inside out

- They execute ruthlessly against their strategy
- They relentlessly find ways to cover their weaknesses to neutralise their opponents strengths, and build their strengths so that they become overwhelming”

Elements of strategy – the POOP chart

Objectives and Goals

-
-

Participation Strategy

-
-
-

Offering Strategy

-
-
-

Operating Strategy

-
-
-
-
-

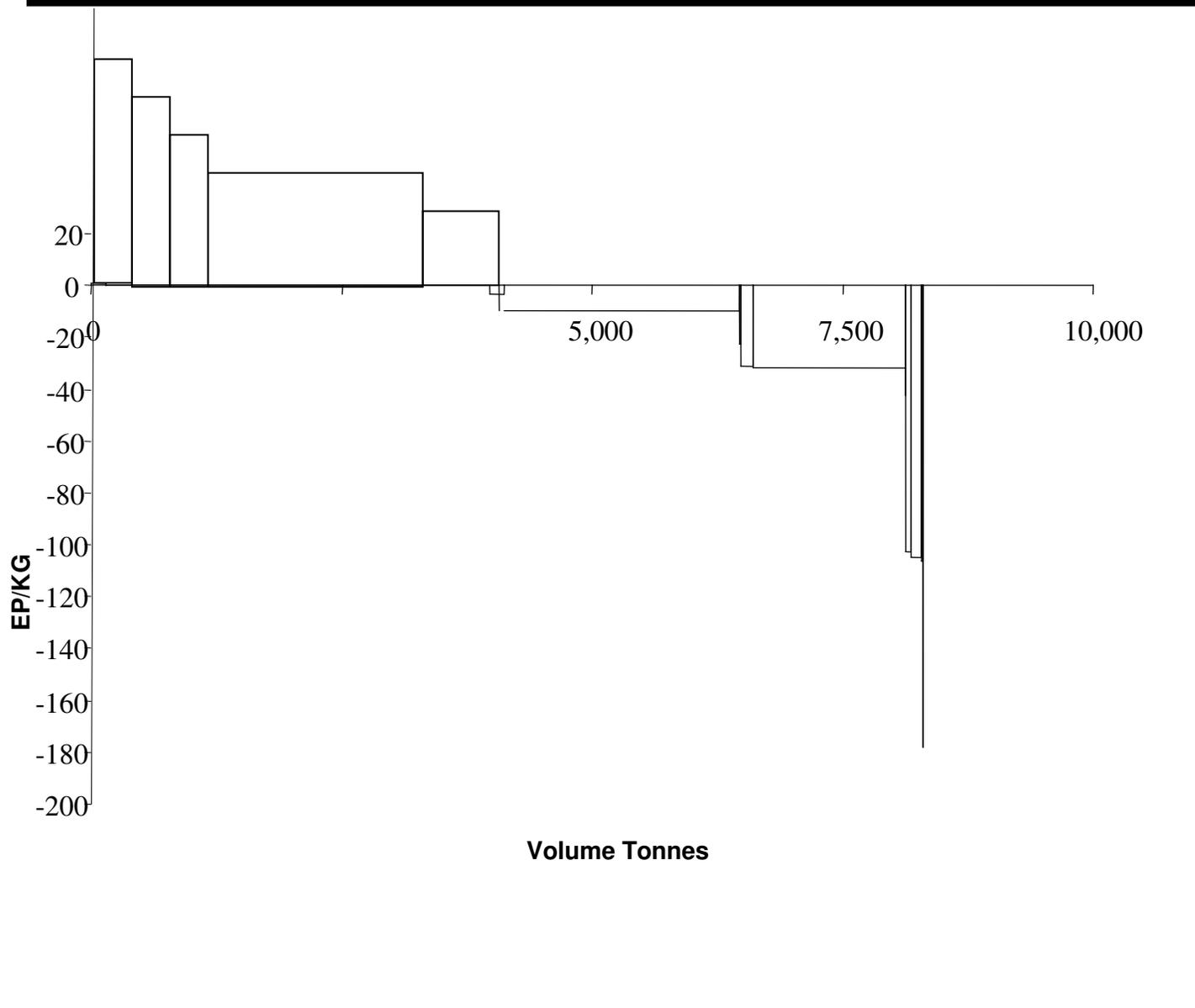
Pricing Strategy

-
-
-

Agenda and Initiatives

-

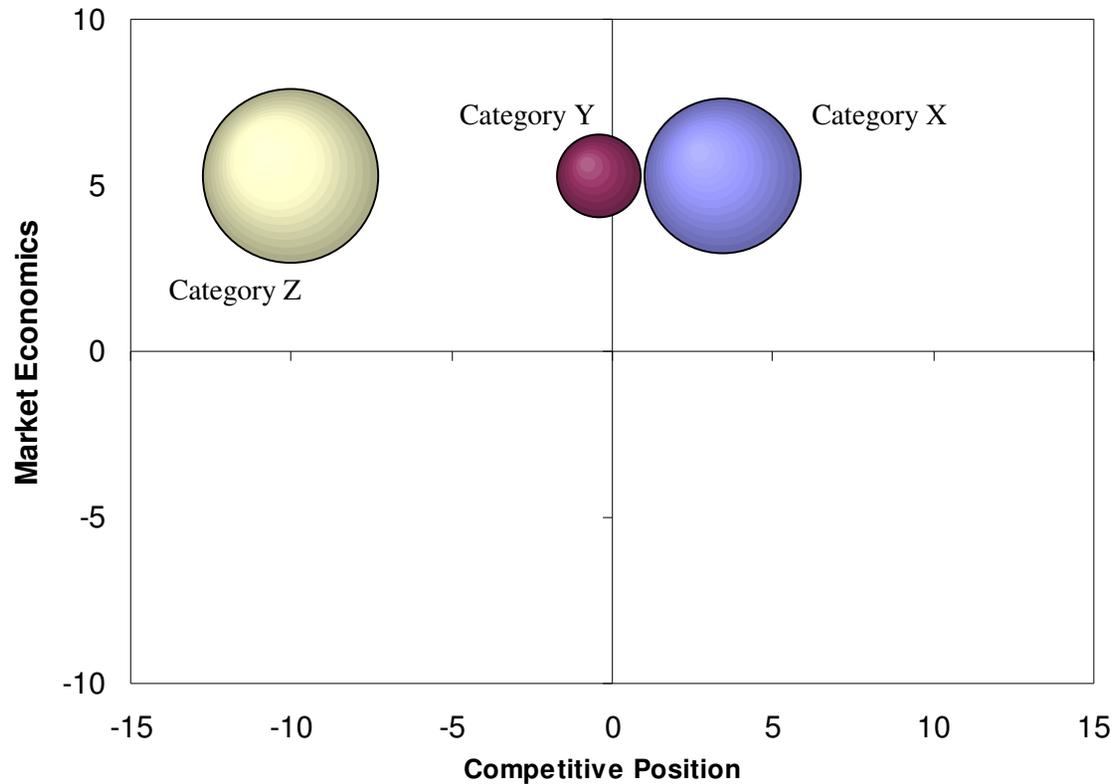
Economic Profit – the Waterfall Chart



Comments

The Total Market – the Bubble Chart

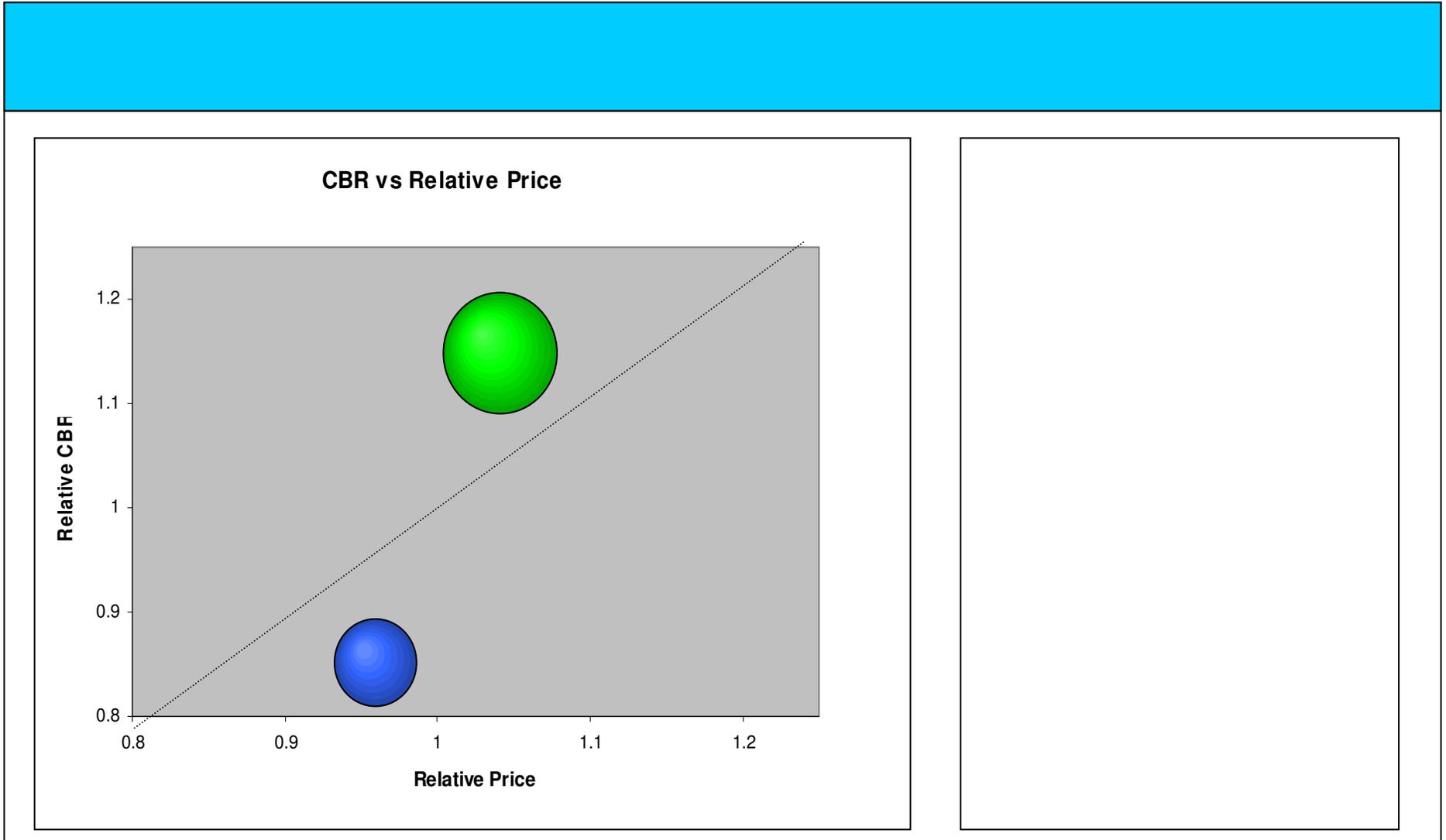
How attractive is the overall Market (Economic Profit terms)



Comments

Empty box for comments.

The CBR vs. Relative Price



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Think about this ...

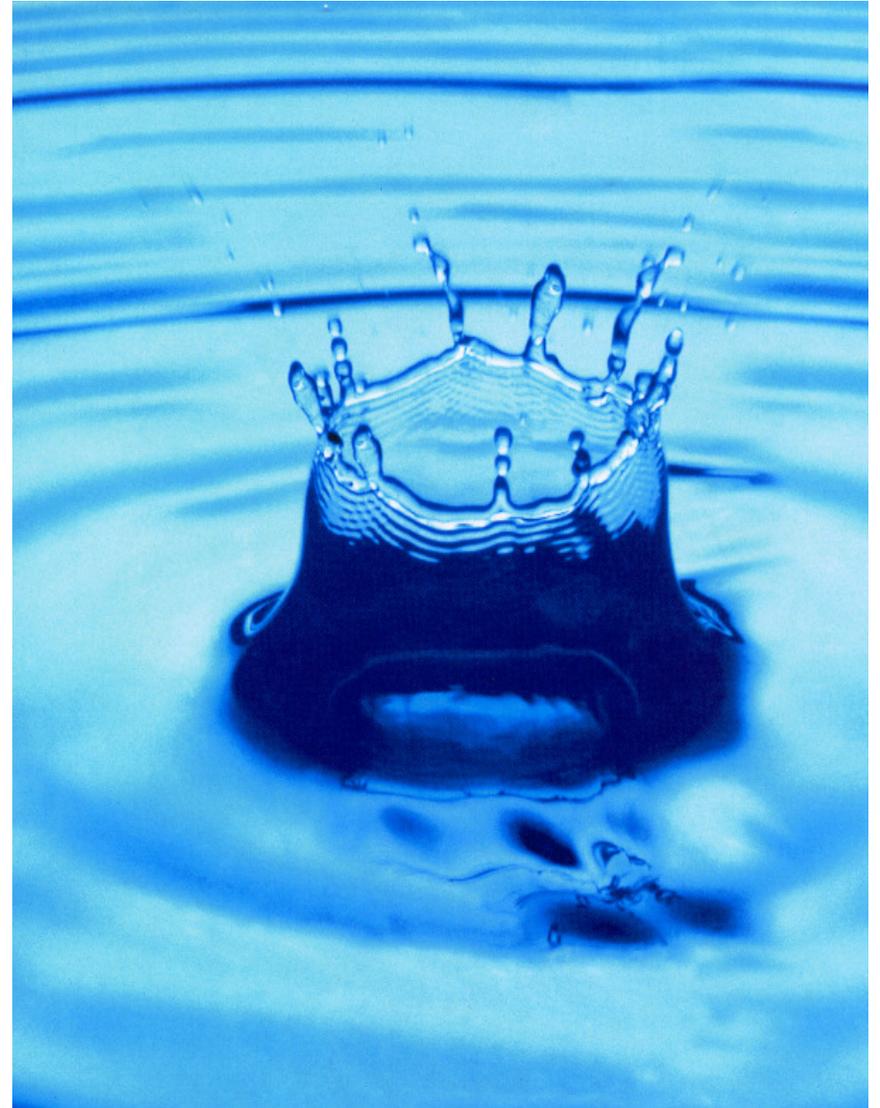
Beyond competing to creating new industry sectors

- How many of today's industries were unknown
 - 100 years ago: automobiles, music recording, aviation, petrochemicals, health care, management consulting
 - 30 years ago: Mutual funds, cell phones, biotech, express package delivery, aggregation and logistics, coffee bars, home videos
- How many new industry sectors will there be in the next
 - 1 year: put a phone, browser and MS Office on the iPod
 - 5 years: "Modular cars" – with expandable engine power and a choice of car bodies?
- Overriding focus of strategy has been competition based
 - Influenced by its military antecedents – war game
- Long term winning strategy is to make competition irrelevant

The strategic choice



Red Ocean

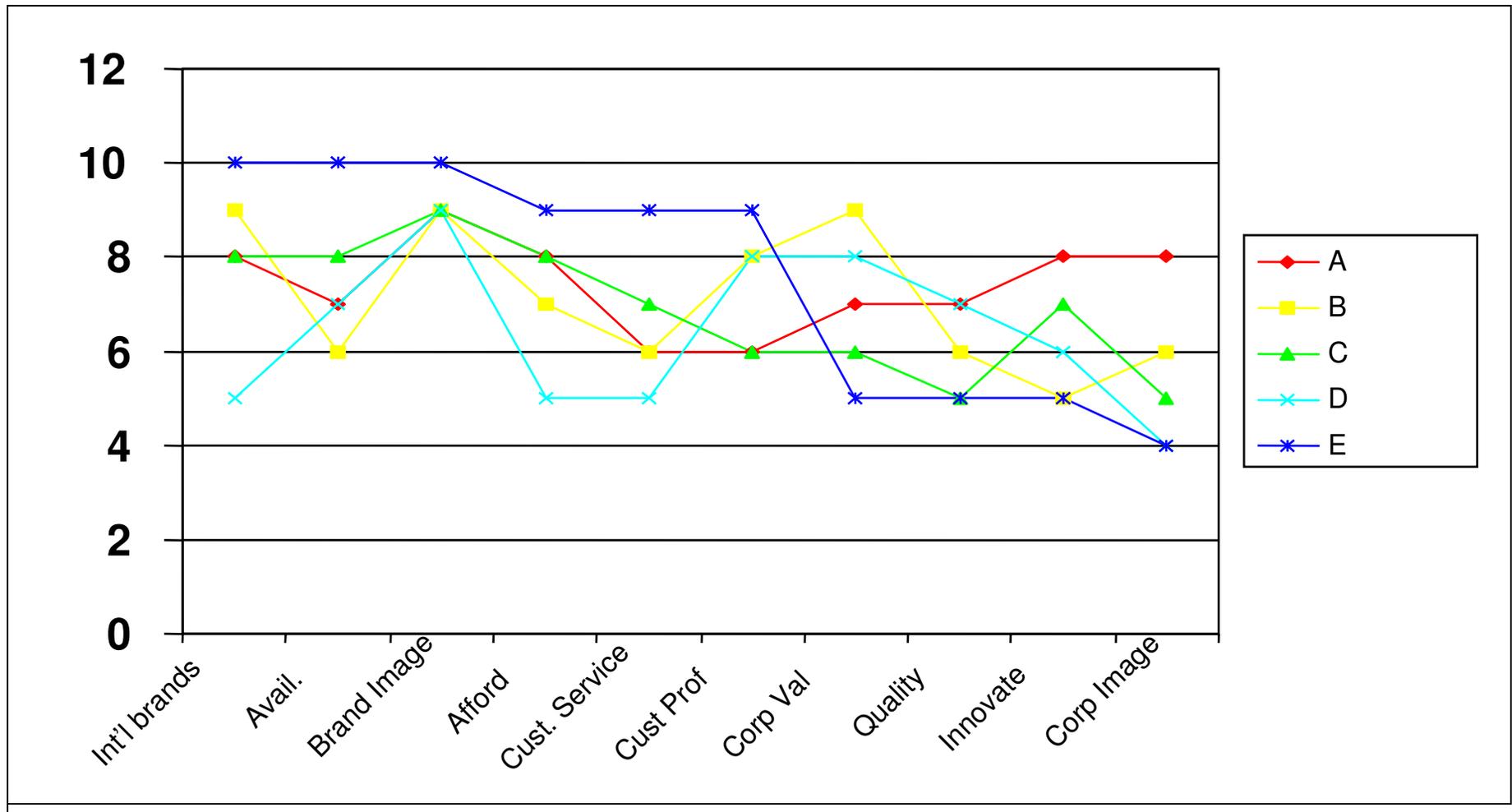


Blue Ocean

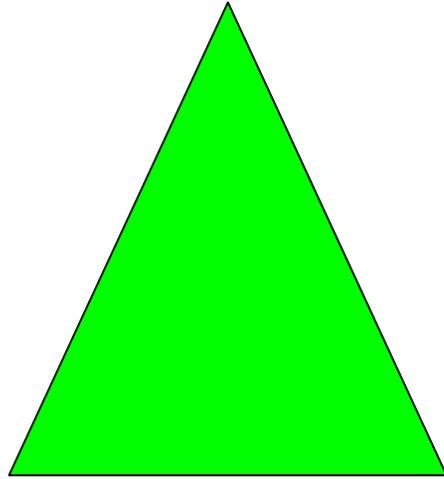
Based on the work of Chan Kim and Renee Mauborgne

Strategy Canvas

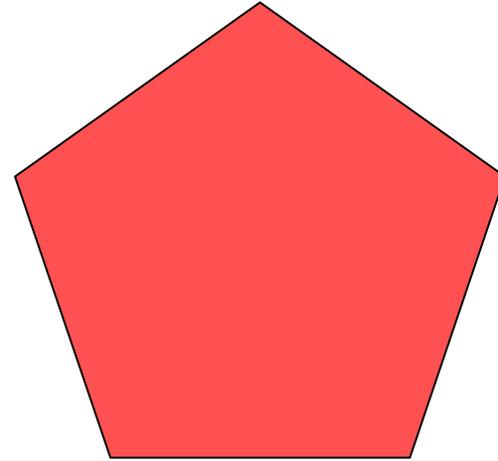
Constructing the space, based on customer value



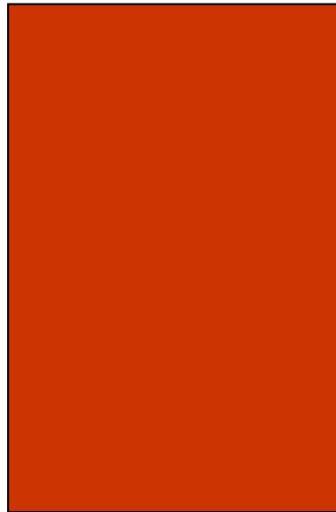
Demographic Profiles



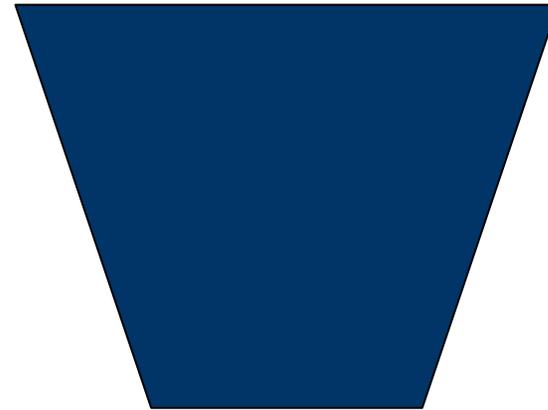
BABY



STAR



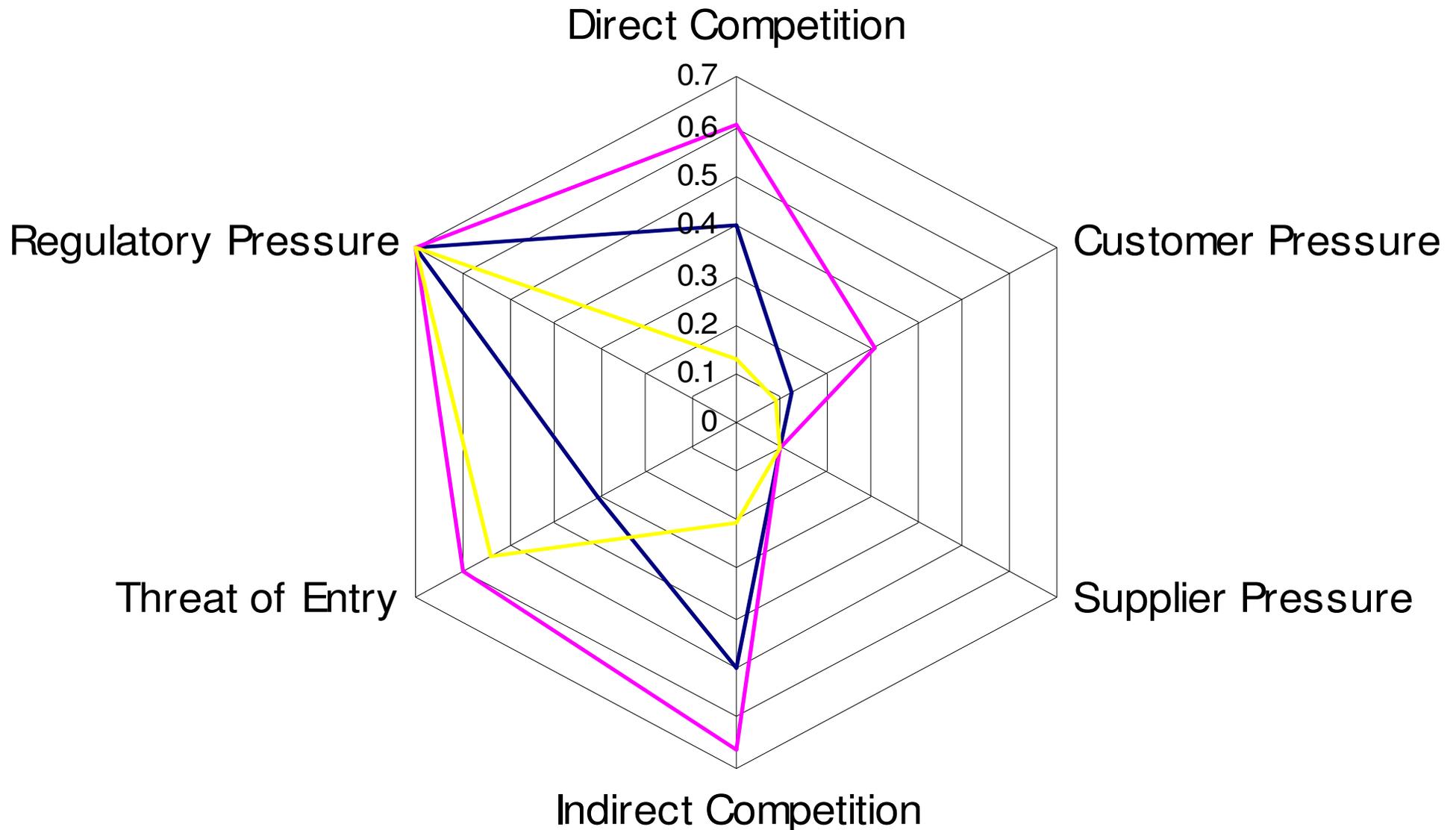
CASH COW



DOG

Indirect Assessment of structural forces

How will the 5 (or 6) Porter forces change over time



Future Scenarios

□ The world in 2012: Two scenarios

Business Class

- US domination
- Meritocracy
- Efficiency slims margins
- Global boom, oil price rise
- Demand for clean energy favours gas
- Over-investment cause glut and prices fall in in 2012

Prism

- EU/Asia resist US dominance
- Family regains prominence
- Market penetration difficult
- Post 9-11 fears of gas security causes shift to alternatives
- OPEC's high-volume strategy keeps prices down

Comments

- Will Europe be the next world power?
- What role for Africa?
 - NEPAD initiative
 - Vast untapped resources
 - Regional integration
- What is the face of development in the world of tomorrow?
- Energy a major consideration for the future

Future Scenarios

□ Nigeria in 2010

		High oil price			
		Oil Daddy 1	Boom 2		
Central economy		Back to the Future 4	Self Help 3	Liberal economy	
		Low oil price			

□ Comments

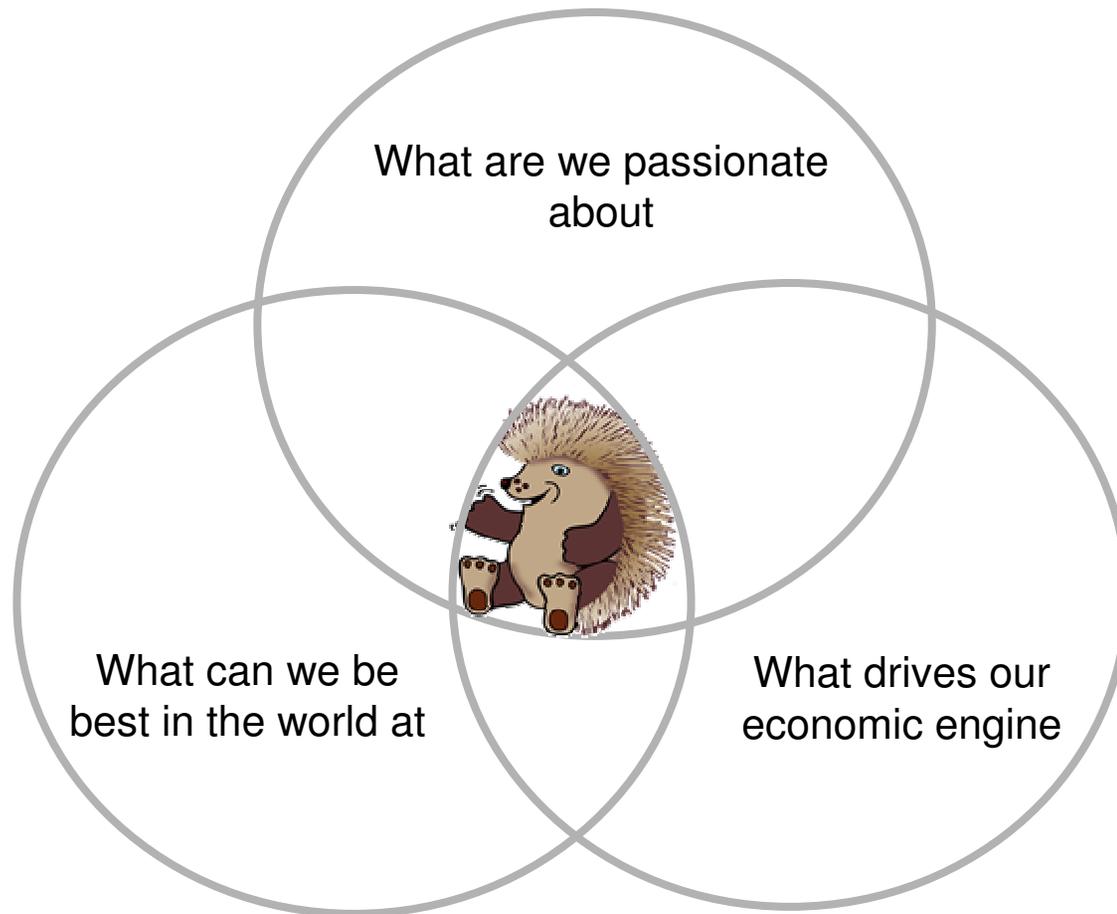
- 1. Strong govt control, moderate GDP growth, failure to bring extra-legal sector into formal economy
- 2. Entrepreneurship thrives, rural economy improves, high growth
- 3. Debt management under pressure, some FDI but concern on longer term political stability
- 4. Currency devalues, tariffs rise to protect local industry, GDP growth tails off, strong concerns over democratic transition

Creating Blue Ocean Strategy

Six action steps

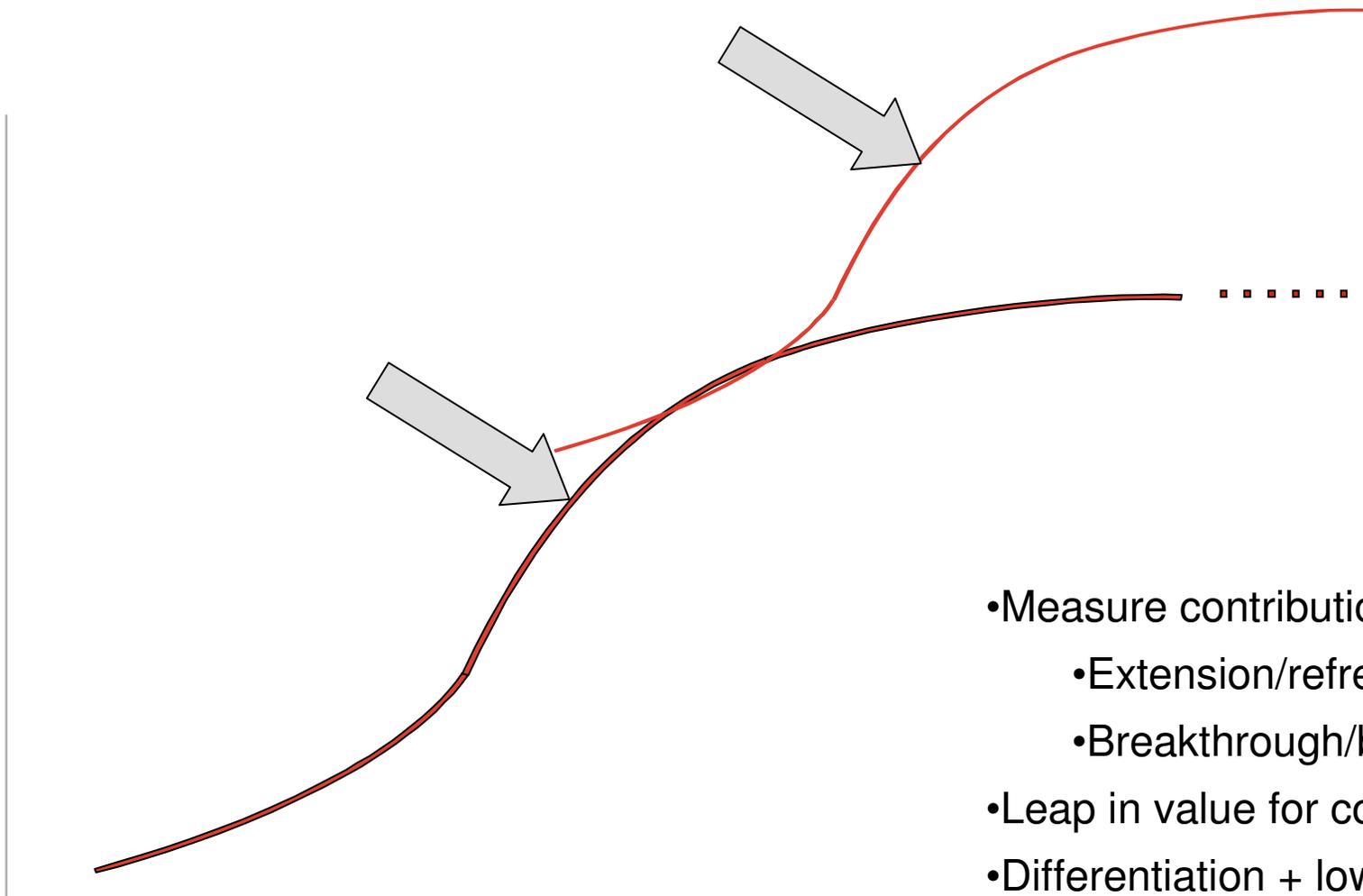
Find the sweet spot

The Hedgehog Concept



Value innovate

There are no mature brands



- Measure contribution of innovation
 - Extension/refresh
 - Breakthrough/breakout
- Leap in value for consumers
- Differentiation + low cost

Reconstruct market boundaries to break from the competition

	Head-to-head competition	Blue Ocean creation
	Focuses on:	
Industry	Rivals within its industry	Looks across alternative industries
Strategic groups	Strategic position within strategic group	Looks across strategic groups within industry
Buyer group	Better serving the buyer group	Redefines the industry buyer group
Scope of product offering	Maximising value of product within industry bounds	Looks across to complementary product offerings
Functional-emotional orientation	Improving price performance within functional-emotional orientation of its industry	Rethinks functional-emotional orientation of its industry
Time	Adapting to external trends as the occur	Participates in shaping external trends over time

Create a new value curve

4-Action framework for a new value curve

Reduce
Which of the factors that industry takes for granted should be eliminated

Reduce
Which factors should be reduced well below industry std

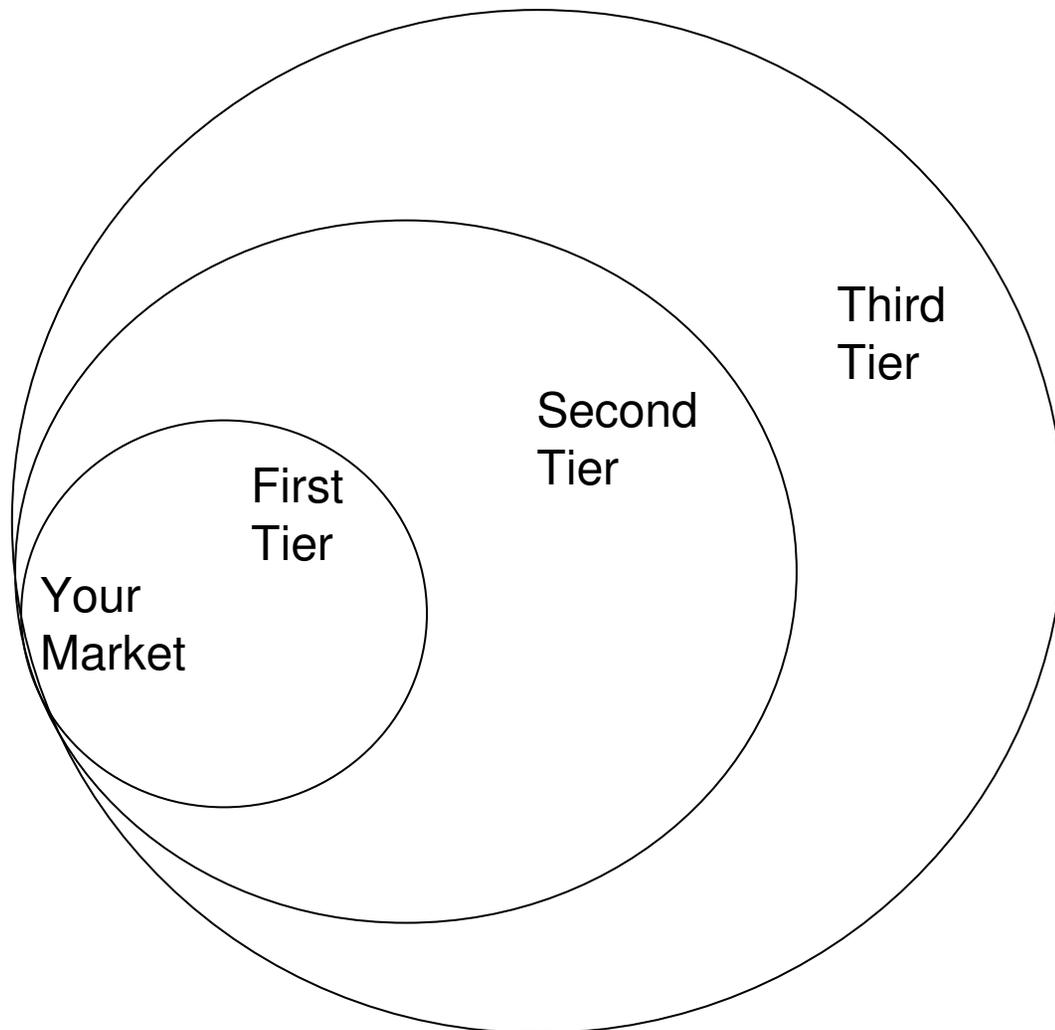
A new value curve

Create
Which factors should be created that the industry has not offered

Reduce
Which factors should be raised well above industry std

Reach beyond existing demand

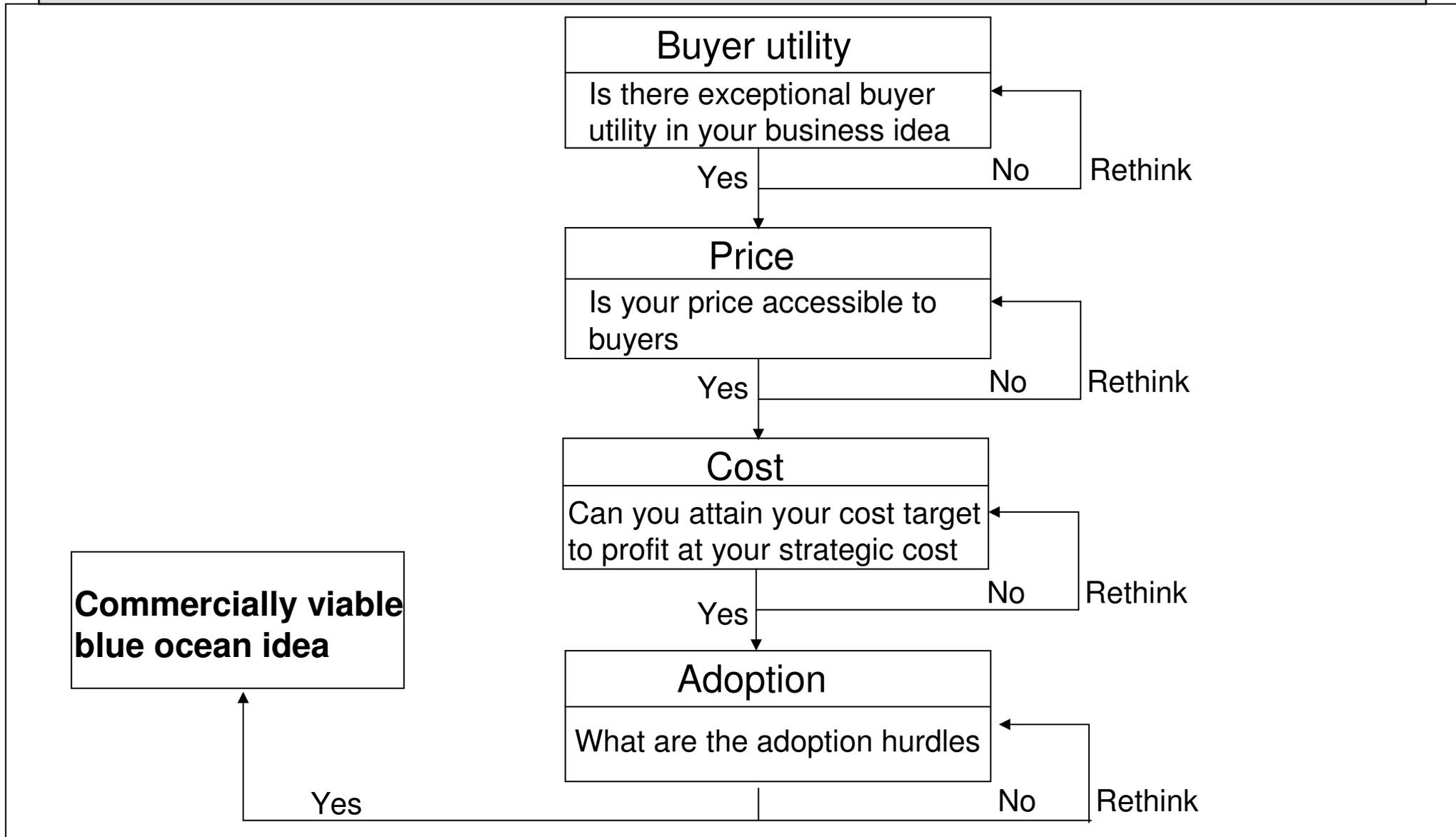
The three tiers of non-customers



- 1st Tier: “Soon-to-be” non-customers on the edge of your market waiting to jump ship
- 2nd Tier: “Refusing” non-customers who consciously choose against your market
- 3rd Tier: “Unexplored” non-customers who are in markets distant from yours

Get the strategic sequence right

The blue ocean idea matrix: It's an iterative process



Outline

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VISION			
2006 Objectives			
PRIORITIES	1.	2.	3.
MUST WIN BATTLES			
KEY TASKS	1.1.1. 1.2.1		
2006 KPI's			

A template for developing strategy

Elements of a good strategy

What does good look like

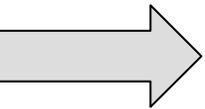
- Focus
- Divergent – different from the usual
- Compelling tagline
 - The speed of a plane at the price of a car – wherever you need it
- Simple

Spot the difference

Red Ocean Strategy	Blue Ocean Strategy
•Compete in existing market space	•Create uncontested market space
•Beat the competition	•Make the competition irrelevant
•Exploit existing demand	•Create and capture new demand
•Make the value-cost trade-off	•Break the value-cost trade-off
•Align the whole system of the firm's activities with its strategic choice of differentiation or low cost	•Align the whole system of the firm's activities in pursuit of differentiation and low cost

Outline

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Leadership - 5 levels of influence

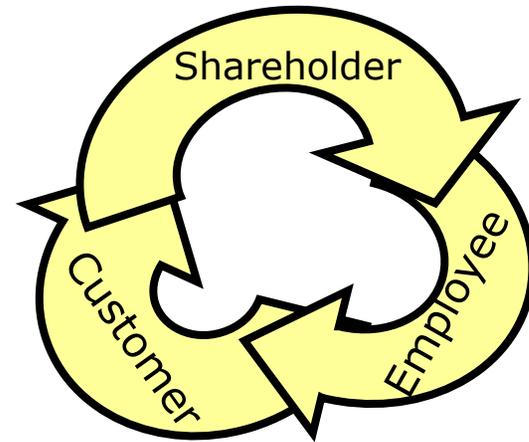
	<u>Leader trait</u>	<u>Key Word</u>	<u>Why people follow</u>
5	Respect	Personhood/ Respect	Because they just love to
4	Reproduction	People dev/ Reproduction	What you've done for them
3	Results	Production / Results	What you've done for the firm
2	Relationships	Permission/ Relationship	Because they want to
1	Rights	Position / Rights	Because they have to

People don't care how much you know until they know how much you care

Execution is the key

Capability and behaviours

- Tipping point leadership
- Break through the hurdles
 - Cognitive
 - Wedded to status quo
 - Resource
 - Limited resources
 - Motivational
 - Can be a drag
 - Political
 - Powerful vested interests
- Sustainability and renewal
 - When to value-innovate again
- Barriers to imitation
 - Brand image – Body Shop
 - Value innovation – CNN
 - Natural monopoly
 - Patents and legal permits



Vision driven leadership at the top

Skill-based sources of competitive advantage

Energised Work force (learning values)

Open communication and knowledge management

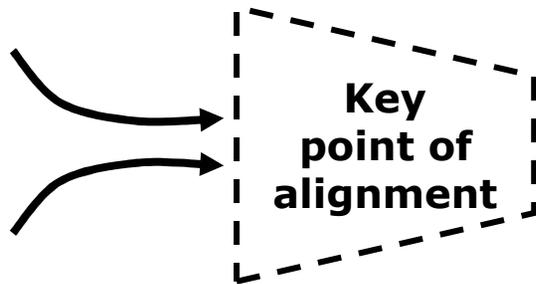
Focused People Choices

Choice 1
(where to play)

What are the priority capabilities

Capabilities

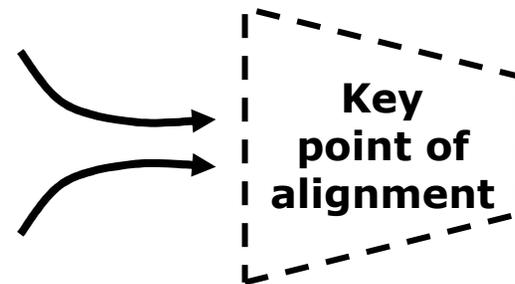
Intervention



What are the priorities in training/recruitment/retention?

Choice 2
(how to win – positioning)

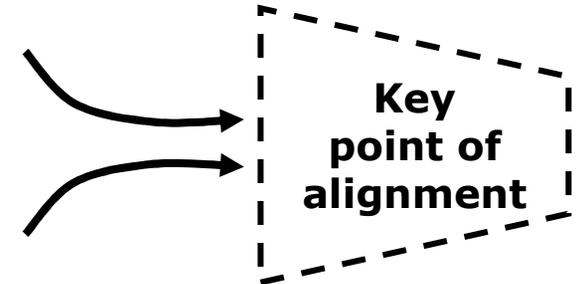
How do we best deliver these capabilities and to whom?



How do we develop win/win propositions for business and identified talent

Choice 3
(how to win – behaviour change)

How do we infuse our teams with passion for winning, and raise bench strength?



How do we leverage our win/win proposition with teams to drive performance?

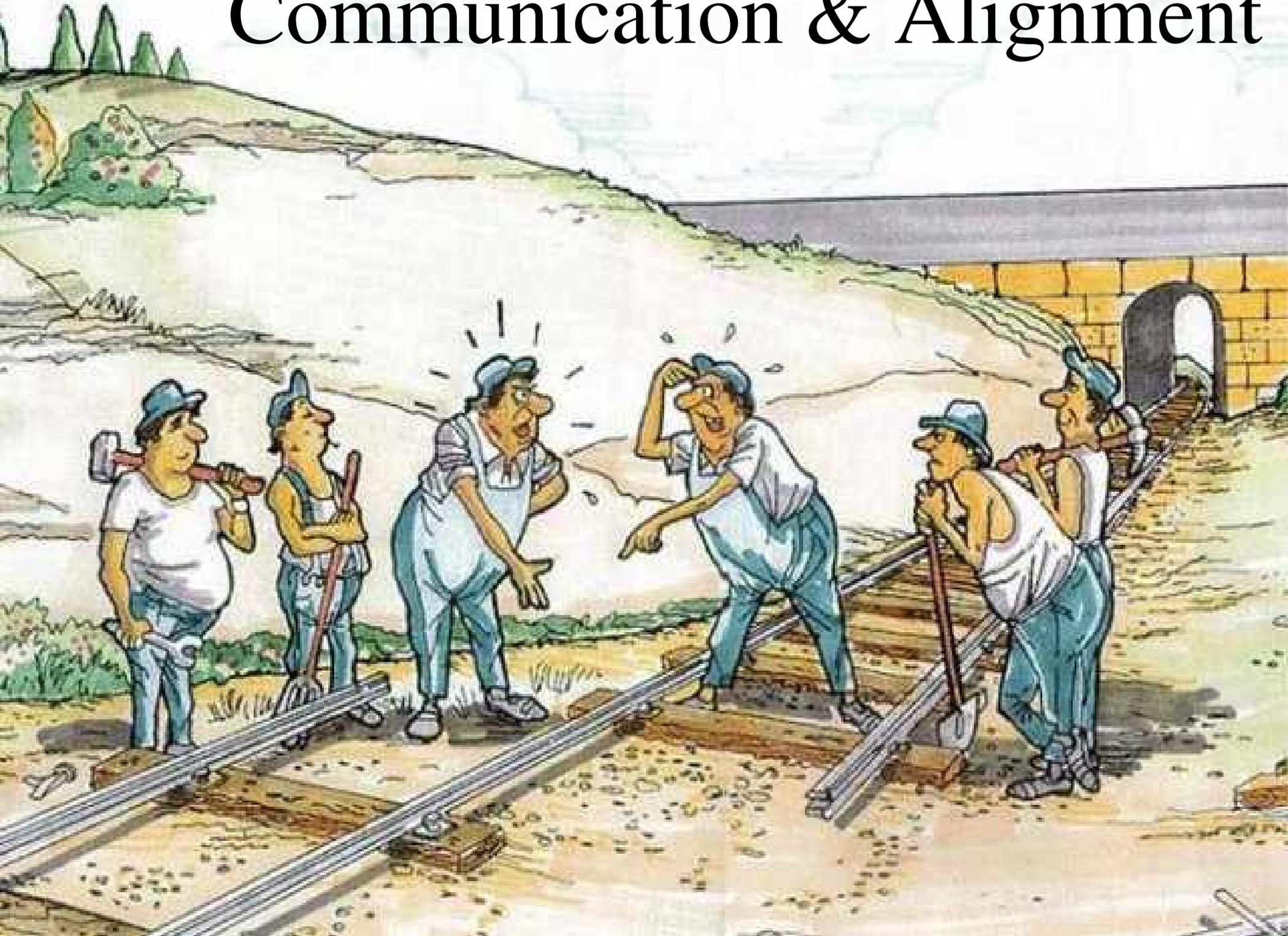
Collaboration, not just cooperation

- Cooperation is working together agreeably in the hope of delivering on loose objectives and responsibilities.



- Collaboration is that soft skill that allows the individual to harness his abilities in conjunction with others, thus creating synergies, in the achievement of shared goals.

Communication & Alignment



The Performance Matrix

	<i>P</i> erformance	=
	<i>A</i> bility	x
	<i>M</i> otivation	x
	<i>O</i> pportunity	x
	<i>D</i> irection	

**Creativity is one of the last remaining
legal ways of gaining an unfair
advantage over the competition**

- Ed McCabe
