

What is a Business Strategy?

By Michael Doherty

Often overused and broad-reaching, the term strategic planning has become yet another one of those vague buzz phrases that get tossed about with little to no real understanding of what it means. *“I’ve developed an Internet strategy that will make us millions.”* Simply electing to sell widgets on the Internet is not a business strategy, it is but a component. What is the market? Who are your competitors? Who will buy your product? These types of questions along with many, many more provide the foundation for developing a solid strategic plan.

A successful business strategy is the combination of art and science. It turns a dynamic situation to your advantage to achieve your goals. A business strategy must include a set of (frequently interdependent) decisions and actions that define a company’s self vision in the competitive marketplace and increase the probability of reaching clearly defined business objectives. Put simply, it’s the plan to get from struggling start-up to successful venture.

A basic business strategy addresses critical tasks including:

- Developing the company’s mission
- Identifying current resources and capabilities
- Identifying external factors that affect the plan
- Analyzing the Company’s options by considering its resources and the affects of the external environment
- Identifying the most desirable options
- Developing strategies that will achieve the most desired results.
- Evaluating the success of the strategic process as input to future decision-making.

One of the easiest traps to fall into is to forget the dynamic nature of the outside world. A fatal planning mistake is to build a business plan around a given set of static assumptions: the market is this, likely penetration is that; it will be sunny on Tuesday. These assumptions seem reasonable and solid when the plan is made, but if any of them prove to be wrong, the plan will fail.

Any effective business strategy must respond dynamically to the challenges posed by the firm’s immediate and remote external environments. The immediate environment includes competitors, suppliers, increasingly scarce resources, government agencies and customers whose preferences often shift inexplicably. The remote external environment comprises economic and social conditions, political priorities, and technological developments. All of these must be anticipated, monitored, assessed, and incorporated iteratively into the strategic plan. Sustainable competitive advantage results from strategies that contain real-time orientation. Successful planning cannot rely solely on static and positional assumptions.

So what goes into a strategic plan? Well, start at the beginning and go from there. This may sound simplistic, but you’d be surprised at the powerful business results you can achieve from carefully answering and acting on the following questions:

- **Where are we today? (Observe)** What is the Company mission? What are the available resources? Who is the competition? What is the market?
- **How will I get there? (Orient)** What is the product? What will it take to go from concept to market? How many employees are needed to support the effort? How will the company distribute the product? How will the Company position the product in the market? Develop options from observations.
- **What are the Best Options (Decide)** Based on the observations and the Company’s position in the market; management pursues the best options and develops a plan to pursue those options.
- **Implement the Plan (Action)** - Execute.

Implicit in this process model, called Boyd's OODA Loop, is the final step: Iterate. This demands that you repeat the OODA process over time, and continually input real-time information. Business success isn't simply a matter of being quickest to market, of spending the most, or of selling the highest-quality products. A company may advance momentarily by any of these methods; but there is only one way to win over the long term: Outmaneuver the competition – over and over, and over again. Simply put, you have to understand the market before they do, act decisively, and constantly reassess to keep one step ahead.

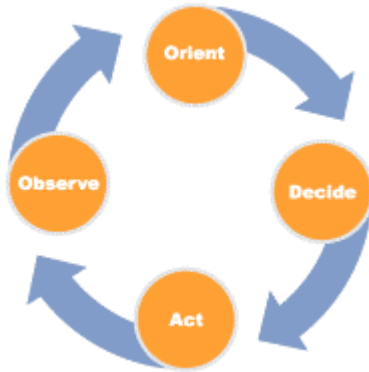
Agility is the essence of strategy in war and in business. Competitors are a company's obvious opponents, but the ever-changing environment can have dramatic effects on a success of a business or sector. For example, it wasn't competition that hurt the telecom sector; it was external factors such as the economy and customer spending.

Boyd's OODA Loop –

Observe, Orient, Decide and Act. Thoughtful agility is the essence of strategy in any conflict constrained by time and resources. Any venture launching a new technology is fighting for time to market advantages over all the other entrants in the space. All suppliers in a market segment are in a competition not only for customers but also for time, a precious commodity not voluntarily relinquished by any opponent – in war or in business.

Col John Boyd, USAF (Ret), coined the term and developed the concept of the "OODA Loop" (Observation, Orientation, Decision, Action). According to Boyd's theory, conflict can be seen as a series of time-competitive, Observation-Orientation-Decision-Action (OODA) cycles.

The OODA Loop model comprises four major steps:



- **Observation:** Collecting information about the current state of the market.
- **Orientation:** Interpreting the information to evaluate and formulate options.
- **Decision:** Analyzing the options, making a decision
- **Action:** Executing the decision

Observation; Orientation; Decision; Action. Boyd's model of tactical decision-making, provides an elegantly simple framework for creating competitive advantage.

The competitor who can consistently navigate Boyd's Loop faster than it's rivals gains sustainable market advantage. By the time the slower adversary reacts, the faster one is doing something different and the action becomes ineffective. With each cycle, the slower competitor's action causes them to fall further and further behind.

The OODA loop demonstrates that strategy is never static. Leading-edge companies understand that they must build an organization with fast response times in serving customers and preempting competitors, in order to grow profitably.

Fast-response companies not only have marketing advantages, they also tend to discover lower cost structures; by moving production materials and information through a company's operation quickly, they collect less overhead and don't accumulate inventory. Fast-response companies also innovate more effectively because they don't waste time and resources on unsuccessful or unproductive ideas: more new products can be conceived and engineered in a given period, creating more market opportunities by giving customers more choices.

The evolving global market coupled with continuing advances in real-time communication and information technology has led to the reinvention of the meaning and practice of strategy. What do you do in competitive market where the time advantage of proprietary technology is collapsing, even as the cost of developing it explodes? Companies in manufacturing, telecommunications, retail -- in nearly every business -- are discovering that fashion, fad, and fickle customers require constant vigilance and adjustment. In a fast paced world where time is money, information is at our fingertips, and the rules of the game are constantly changing, the OODA loop is more strategically powerful than ever.

Want to out-think and out-execute the competition in the air, on the ground, in combat or in business? Want to test out new ideas, get feedback from your customers, adjust your product accordingly, and launch a new version -- before your competition even senses the opportunity? Then learn how to make the OODA loop the centerpiece of your strategy process.

About the author: Mike Doherty, the founder of Doherty & Associates, has an extensive background in corporate investments, including the evaluation and underwriting of over \$100 million in venture debt financing for emerging growth companies. Prior to Doherty & Associates, he was a director at Third Coast Capital where he focused on originating and underwriting venture staged debt products.

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