

# Rapid Adaptive Strategy Development

*Discussion Materials*

# Preface

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Companies in technology-based industries face the tremendous challenge of setting course in a rapidly moving, constantly changing environment. Alliance has helped client companies set course by mapping customer needs, guiding clients through corporate transformation, and providing clients with scorecards clearly connected to overall strategy to ensure successful implementation.

The following material has been prepared to answer some initial questions about Alliance Consulting Group and Rapid Adaptive Strategy Development. This booklet briefly outlines our methodology and some of our experience and capabilities. We would welcome the opportunity to further discuss how we could assist you in achieving specific objectives.

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# The Challenges To Conventional Strategic Approaches (1)

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- In rapidly changing markets with highly aggressive competitors, the challenges of strategic planning are great. Many organizations now understand that environmental complexity reduces long term planning to an exercise in chaos. Consequently many corporate pioneers feel they can no longer use traditional stable environment planning frameworks. Yet managing “next to chaos” is not an acceptable solution either, often leading to significant missteps. The outcome is often a dramatic reduction in a corporation’s currency - it’s stock price - and a resulting inability to fund growth.
- These issues are exacerbated in technology driven industries. Product lifecycles are shortening – a dynamic which compounds the challenges of earning acceptable returns on the investments required. Further, there often is not enough time to develop everything in-house, particularly if a comprehensive solution to a complex set of customer needs is required for competitive viability.

# The Challenges To Conventional Strategic Approaches (2)

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- Competitors fight to stay ahead of one another as technological shifts keep changing the playing field. In addition, there are no predictable rules of engagement. Everyone is vying to be the one who sets the market agenda and rhythm.
- Technology also impacts business models; completely and rapidly changing the way business is done in some industries. Today's valued competencies can quickly become tomorrow's straight jackets. Strategy must build an adaptive organization just as much as it must focus on external market dynamics. Strategy can no longer be a once-a-year exercise; it must create an ongoing ability to monitor the changing environment and drive rapid adaptation.

# A Strategic Approach For Today's World (1)

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- Through working with numerous technology companies and start-ups, Alliance has developed a pragmatic approach to strategic planning that balances the need for speed and the need for direction in a rapidly changing environment. We call this strategic approach Rapid Adaptive Strategy Development and it is based on four key disciplines:
  - **Become Customer Centered:** Unlike technologies, competitors, regulations, and the global economy, core customer needs do not change as rapidly over time. The technology underlying solutions preferred by the customer may change frequently, but not the core needs. Customer needs are a North Star to steer by.
  - **Set The Market Agenda:** The best way to predict the future is to be the one who is creating it. Becoming customer centered allows a company to share a vision with the customer that locks in an agenda that constantly raises the bar for competitors. This causes chaos for competitors and growth for the company.

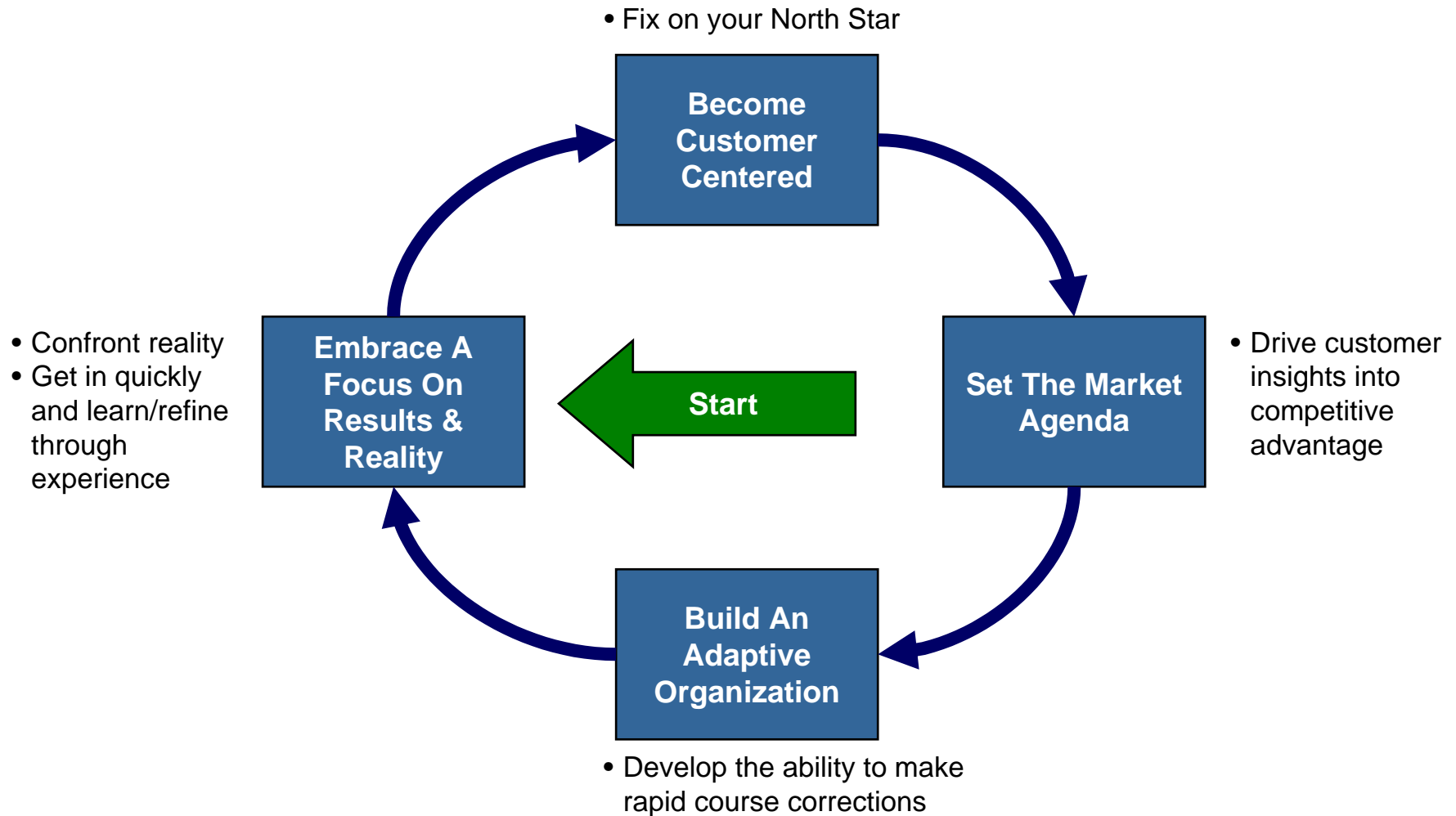
## A Strategic Approach For Today's World (2)

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- **Build An Adaptive Organization:** Staying out in front of the competition and the evolving environment requires the ability to rapidly change course and gain momentum on a new tack.
- **Embrace A Focus On Results And Reality:** The best way to understand customers and a market is to begin serving the market. This means that taking actions and learning through a Try-Learn-Reinforce/Revise cycle is much better than cautiously waiting to design and launch the perfect product. From a process perspective, this is where we both begin and end in advising our clients to continuously embrace results and reality.
- Thus, Rapid Adaptive Strategy Development (RASD) is much more than just developing strategy at high speed. It represents both a framework for thinking and taking action in dynamic markets as well as a strategic plan development process tailored to delivering against that framework. The outcome of RASD is to achieve mastery of one's market.

# RASD Outcome: Achieve Mastery In Dynamic Markets

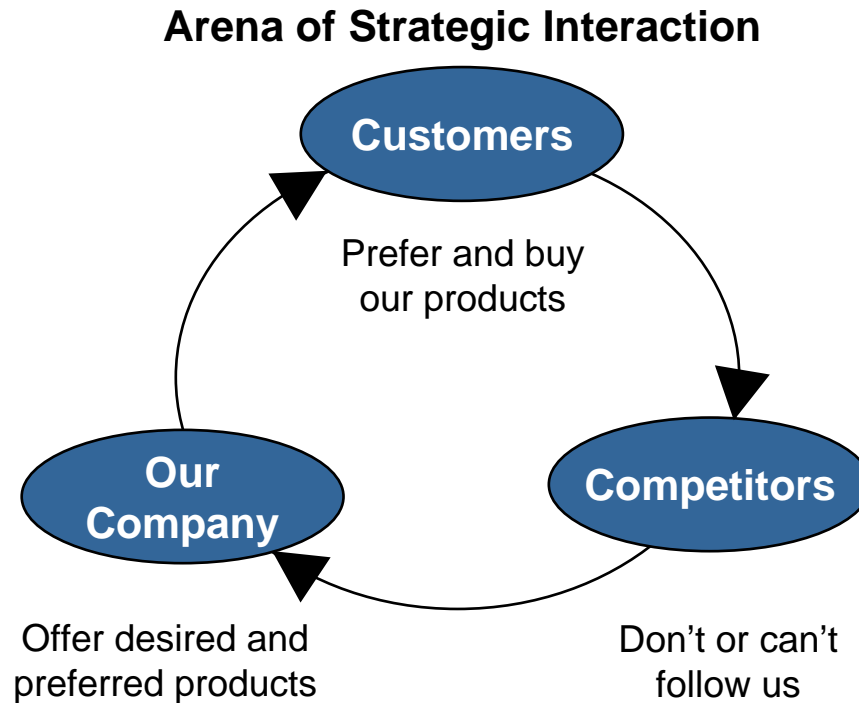
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# Confront Reality: Arena Of Strategic Interaction

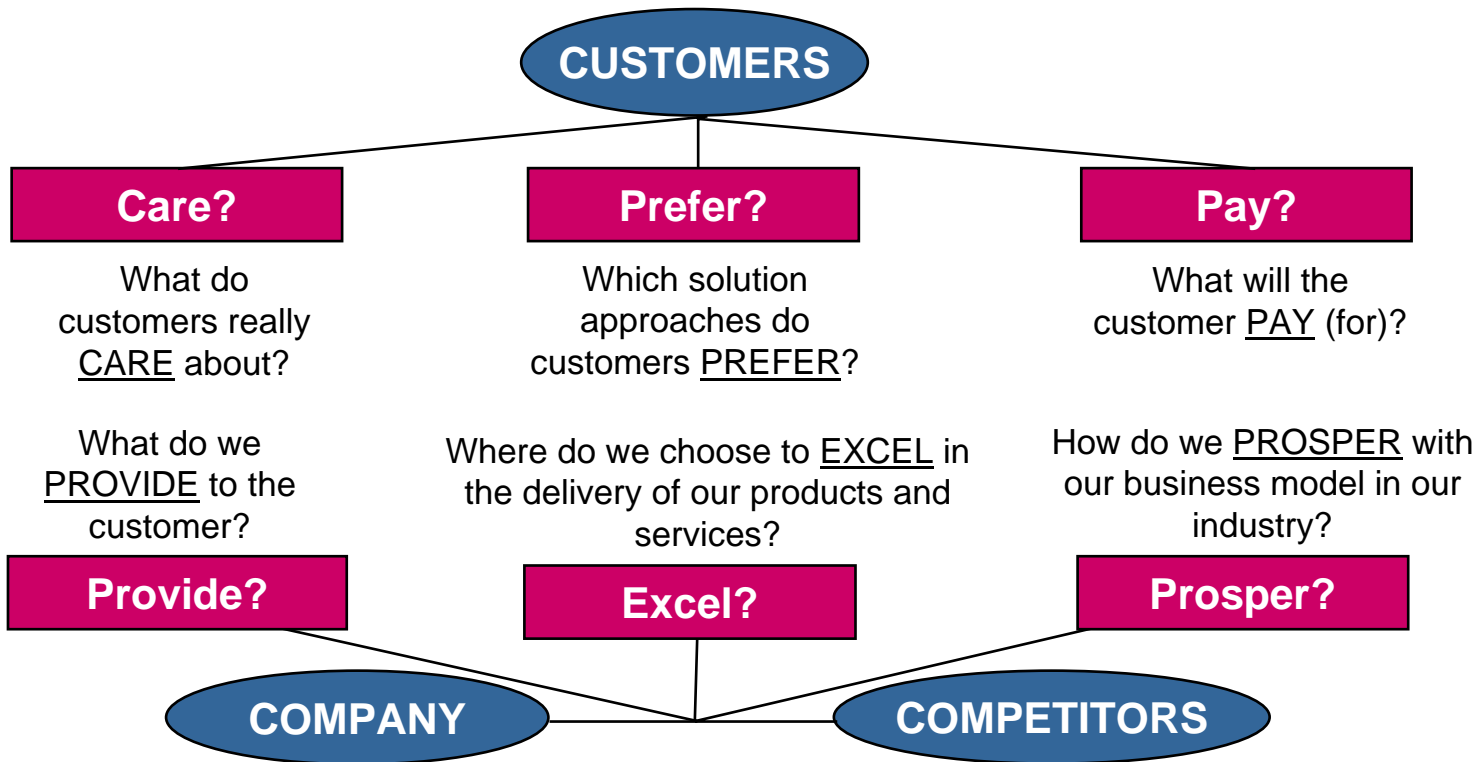
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- Strategy development and implementation must be rapid and focused in quick paced, high technology markets. Our approach to strategy helps companies quickly understand the most critical points of interaction between customers, the company, and competitors.



# Confront Reality: Key Questions That Define Points Of Interaction

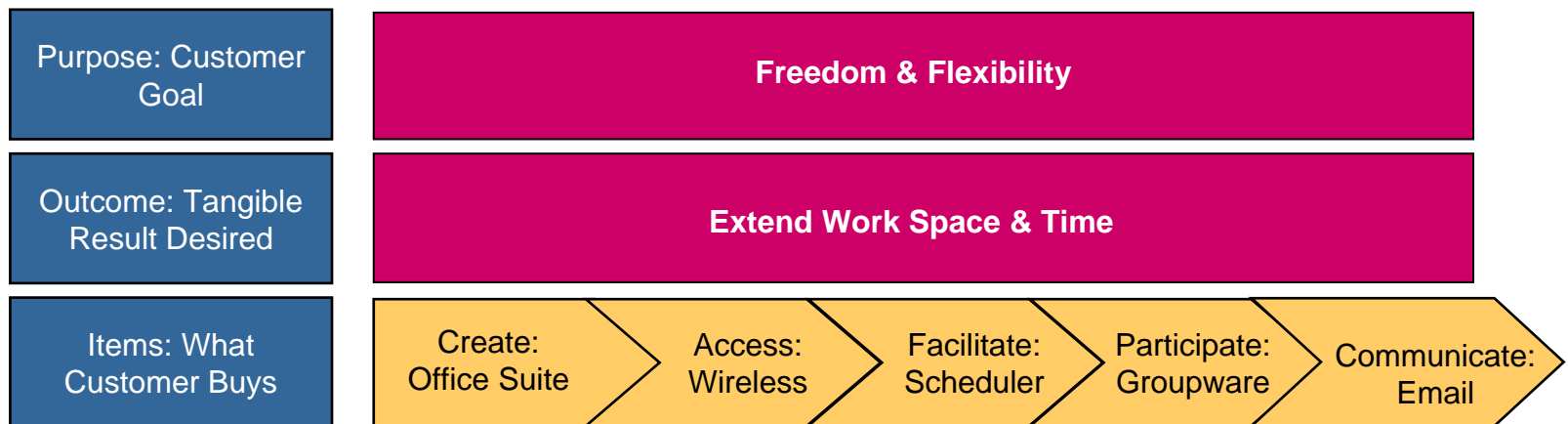
- There are six key questions that define the points of interaction between customers, the company and competitors. These questions focus on comparing the company's and competitors' ability to meet or exceed customer expectations and needs. Assessing these questions offers a clear view of market reality.



# Become Customer Centered: The Need Domain And Hierarchy

- Alliance has developed a framework to map customer needs that corresponds with the way the human mind works in comparing alternatives. When confronted with choice, people work through a hierarchical categorization of their own needs. Alliance has found that mapping customer needs against this framework leads to powerful insights into product and market strategy. A much stronger competitive position is established when a company focuses on fulfilling all of the important outcomes in one need domain rather than straddling multiple domains with point products. Clear distinctions between customer segments can be drawn by understanding their priorities across the need domain.

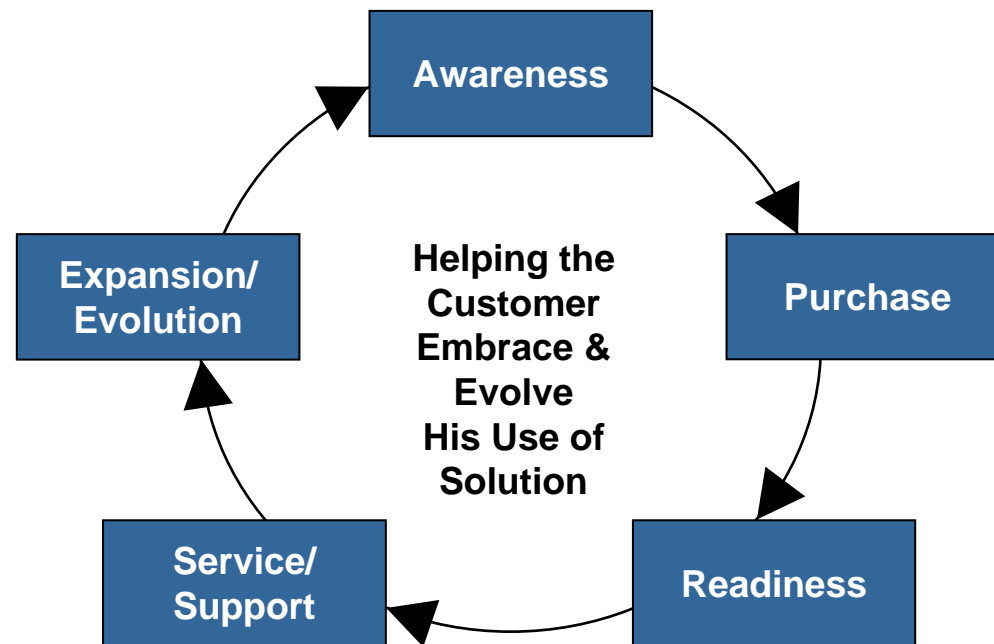
## Example: Mobile Computing Customer's Need Domain



# Become Customer Centered: The Relationship Cycle

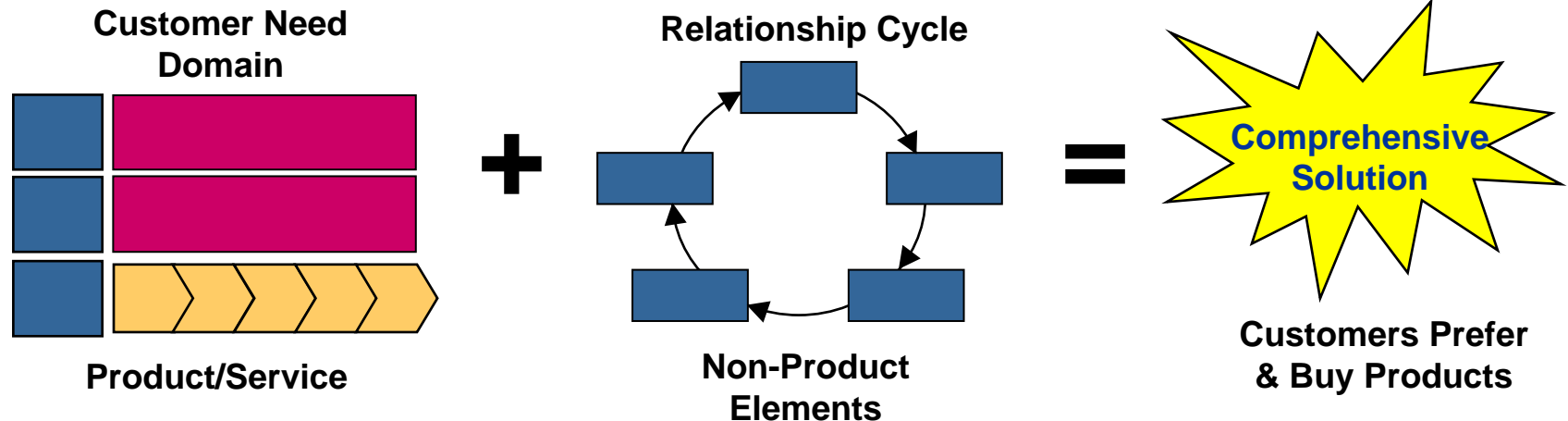
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- The Relationship Cycle looks at the entire process that customers go through to fulfill their needs. Companies that successfully adopt this cradle-to-cradle perspective go from selling items to building ongoing relationships with their customers. Understanding and driving the Relationship Cycle is especially crucial for sustained success as a market evolves from initial point products to complete integrated solutions that address more of a customer's total need domain.



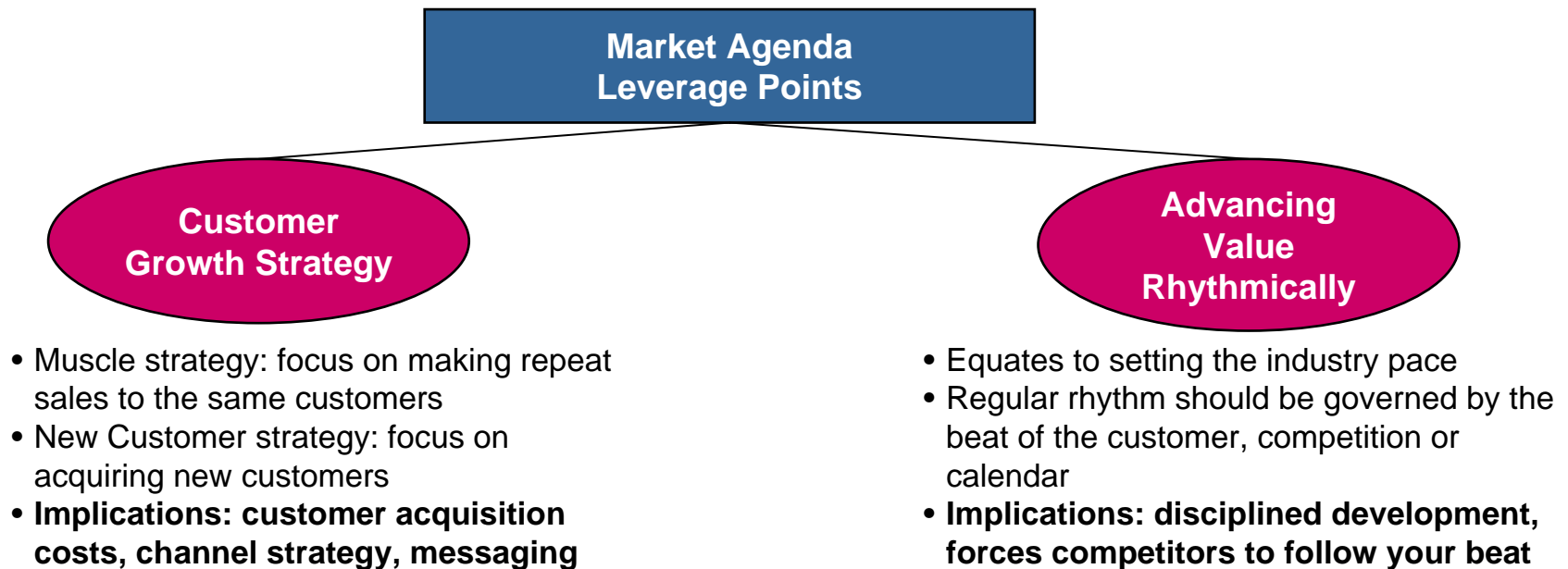
# Become Customer Centered: The Comprehensive Solution

- The Comprehensive Solution provides a systematic method to shift from a product-driven to a customer-driven orientation. This methodology directs the search for value innovation that meets customer needs; creates synergy for customers and the company; and lays the foundation for customer loyalty, branding and integrated solution development. The Comprehensive Solution helps the company understand and influence the customer's agenda.



# Set The Market Agenda

- Unfortunately, developing insights about customer needs and translating those insights into products that customers prefer and buy is not enough in rapidly changing marketplaces. Setting the market agenda recognizes that markets are dynamic and mastering them is an ongoing process. Companies that master markets are often described as those that are constantly reinventing themselves for competitive advantage.



# Build An Adaptive Organization

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- A company driving change and setting the market agenda must have an organization that can quickly adapt and reconfigure itself for evolving conditions. An organization should build momentum and strength, yet always be prepared to act on the next major opportunity or threat.

## Modularize Core Competencies

Core Competencies are viewed as a source of competitive advantage. However, in rapidly evolving markets they can just as quickly turn into a ball and chain that holds the company back. A company must build the culture and capability to sustain an environment where core competencies can quickly be built, dropped or recombined.

## Tailor Business Processes

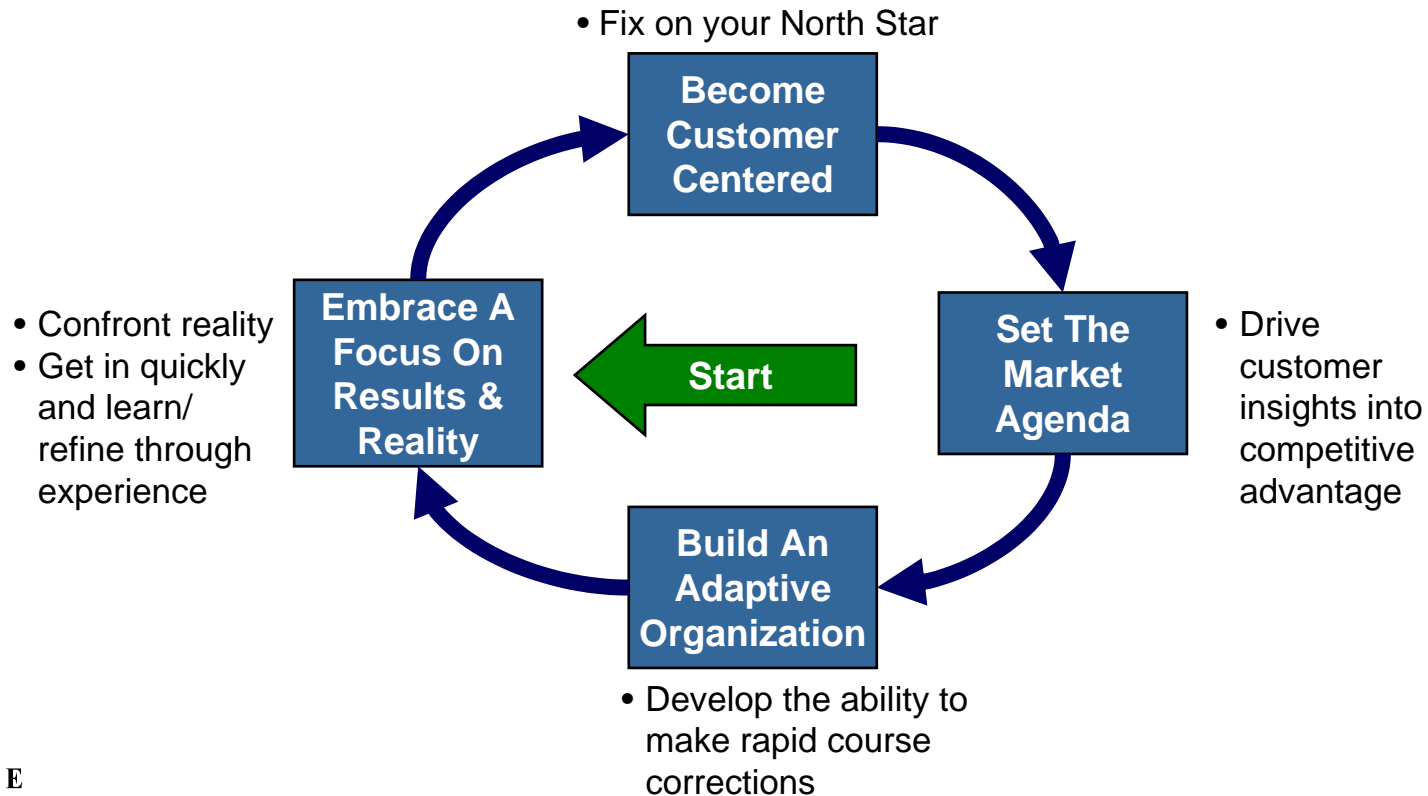
Developing a winning culture should not be driven to an extreme where all departments drive their processes similarly. Adaptive organizations realize that different groups need varied agendas and rhythms with some departments aiming at efficiency and others focused on creativity and exploration.

## Streamline Value and Cost

Focusing on what customers truly value is critical to building a properly aligned company value/cost structure. This is accomplished through customer centered resource allocation that re-deploys resources to the most customer-valued activities.

# Framework Summary And Segue To 'How-To' Process

- Rapid Adaptive Strategy Development helps our clients dominate their target markets with products and services that fulfill customer needs. We now move on to the process Alliance uses to help the organization 1) develop and implement the strategy and 2) create the capabilities to sustain and build upon it.



# Confronting Reality: Assess The Strategic Environment

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- Alliance gathers key information about the business. Alliance then defines emerging trends that yield insights around which new strategies could generate significant customer value and revenue growth and which threats have to be resolved.

## Strategy Audit



## Initial Insights, Opportunities, and Threats

- Can we provide superior returns to our shareholders
- Are we in a position of power versus key competitors
- Are we targeting the right areas to drive growth
- How well do we understand our customers' needs
- Are we evolving along with our customers' needs in the target segments and do we provide added value to our customers

# Becoming Customer Centered: Assess Needs

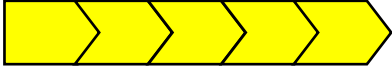
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- Alliance not only has developed tools to conduct research and analysis efficiently, but also has the experience to drive the analysis into powerful insights.

## Research Sources

- Customers
- Company Managers/Experts
- Industry Analysts
- Channel Members

## Analysis and Insights

- Understand and map the customer need domain
- 
- Identify customer group differences
  - Identify unmet or under-served needs
  - Identify need area competitive gaps and opportunities
  - Determine high leverage areas of the relationship cycle

## Benefits

- New growth markets
- Competitive differentiation
- More targeted, faster product development
- Progress from less defensible point products to broad solutions and need domain leadership
- Higher go-to-market success rates
- Sustain preferred position with customers

# Setting The Market Agenda: Assess Market Forces And Pace Drivers

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- Alliance not only has developed tools to conduct research and analysis efficiently, but also has the experience to drive the analysis into powerful insights.

## Analyze

- Customer Behavior
- Competitor Behavior
- Technology Trends
- Distribution Requirements

## Action

- Decide whether to pursue a Muscle Strategy or to acquire new customers
- Determine best “beat” to Advance Value Rhythmically or set industry pace
- Move up the need domain hierarchy with each paced revision

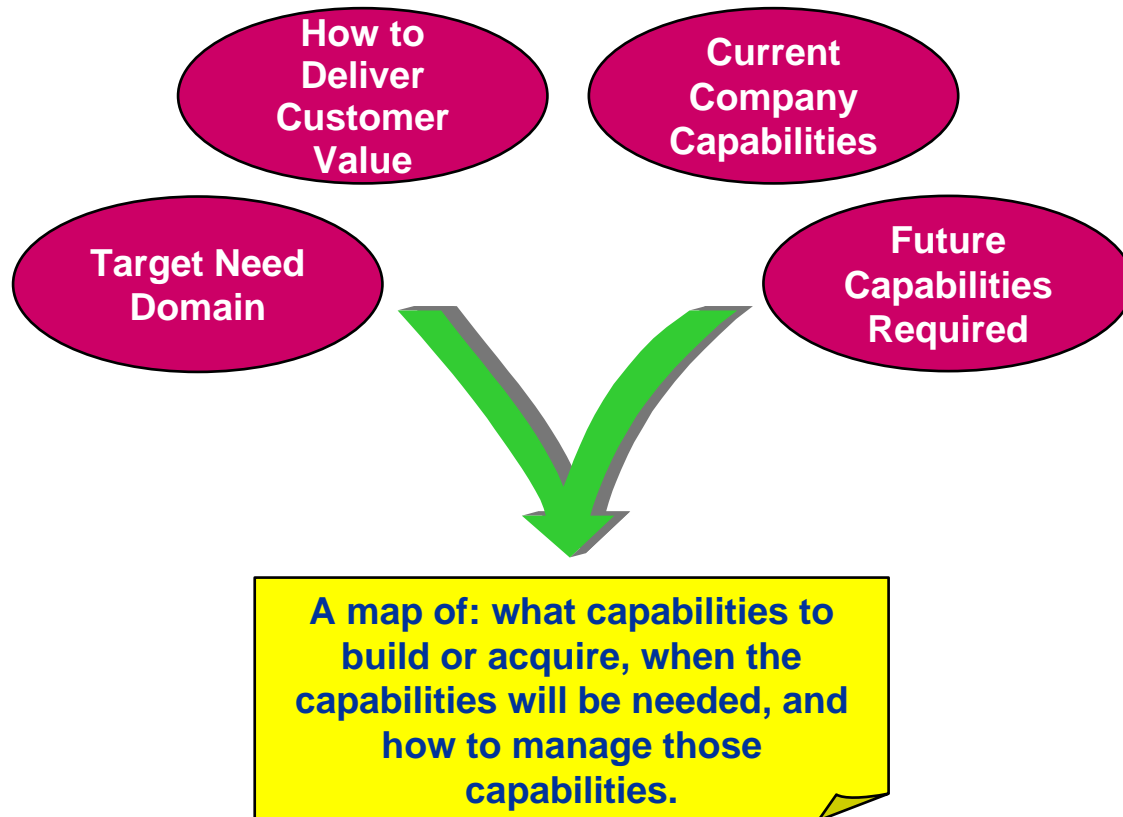
## Benefits

- Vision is clear and rational from a customer perspective
- Customers on your agenda rate other offers by your standards
- Create product development discipline to stay ahead of fastest competitors
- Continuously deepen customer relationships by delighting them with new offerings

# Building An Adaptive Organization: Map Capabilities

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- Alliance thoroughly assesses company capabilities and options for new value creation. This knowledge sets the foundation for acquiring/divesting capabilities, modularizing competencies and tailoring business processes.



# Embracing A Focus On Results And Reality

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- Alliance completes the process by identifying the key milestones and specific actions crucial to the successful implementation of the strategy. Alliance also believes that no strategic analysis is complete without assessing the effects on market value since ultimately the purpose of the strategy is to enhance the value of the enterprise to its stakeholders.

## Customer Centered Implementation Plan

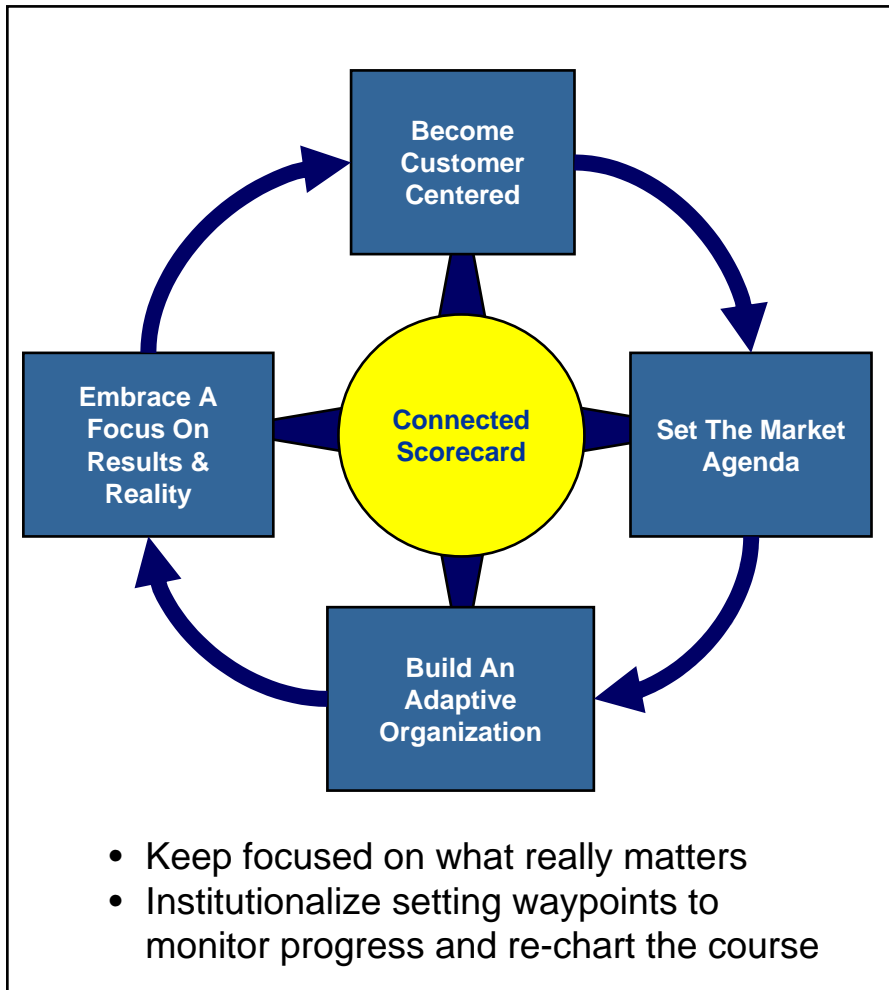
The implementation plan addresses all product, infrastructure and supporting requirements for success. The plan defines checkpoints for:

- 1) Assembling total requirements for a successful customer-needs-based solution
- 2) Aligning resources to the solution
- 3) Preparing to launch the solution
- 4) Delivering the solution across all product and non-product elements
- 5) Regularly assessing the solution post-launch.

## Assess Market Value Effects

Choosing strategies with the greatest market value is critical to maximizing the currency value of the company. Maximized currency value (stock price) creates the most flexibility to execute future strategies via acquisition of future resources and capabilities. Focusing on market value effects also optimizes make vs. buy trade-offs and buy timing. Finally, completing this process anticipates the vision and story for financial markets.

# Continually Building Momentum



- We need to cap the process with the direction, alignment and tools to keep the organization moving on track. We have developed the tool—the Connected Scorecard—to help drive and sustain momentum consciously and explicitly.
- The Connected Scorecard allows the company to view their progress by taking readings of the most essential environmental elements, the company’s internal objectives and the progress achieved. The Connected Scorecard includes:
  - Scan of environmental events and changes critical to the success of the strategy
  - Key operational milestones (e.g., product or channel development) critical to implementation of the strategy
  - Actions to support implementation and adaptability (e.g., resource transfer to high customer value areas)
  - Market agenda targets (e.g., share, revenue, segment and need domain ownership) to ensure the strategy is on track and the effort level is appropriate
  - Comparison of achieved vs. expected strategy benefits
- The leadership of the organization periodically reviews the Connected Scorecard—strategy’s progress and marketplace reality—to stay focused and drive any required course corrections.

# Relevant Client Experience (1)

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- Worked closely with senior management to develop processes to rapidly respond to changes in competitor strategies in order to maintain leadership over Microsoft in key software segments. Processes rooted deeply in monitoring needs and desired outcomes of target consumers.



- Coordinated global strategy development effort across 5+ business units in technology and fashion-intensive toy and gaming industry. Created integrated planning and investment calendar to capture “real-time” changes in consumer trends.



- Worked closely with New Ventures Group to evaluate the potential of new technologies and business models to fit within Intel corporate portfolio. Recommended investments, changes in business models and longer-term strategies.

## Relevant Client Experience (2)

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- Worked extensively with senior management to develop strategies to manage and maximize value from new technologies in areas such as water filtration, alternative refrigeration, inventory management software, packaging, sweeteners, etc. On-going engagements with brand teams to respond to new market opportunities in energy drinks and hot beverages.



- Developed portfolio strategy to drive product innovation across key small appliance categories while improving margins. Recommendations impacted product design, supply chain and pricing/promotion tactics.



- Worked closely with leadership of the National Association of Recording Merchandisers including retailers such as Best Buy and Circuit City to understand strategic options resulting from digital downloading of music and software. Recommendations impacted investment decisions being considered by key retailers.

# Background on Alliance

# Alliance Consulting Group

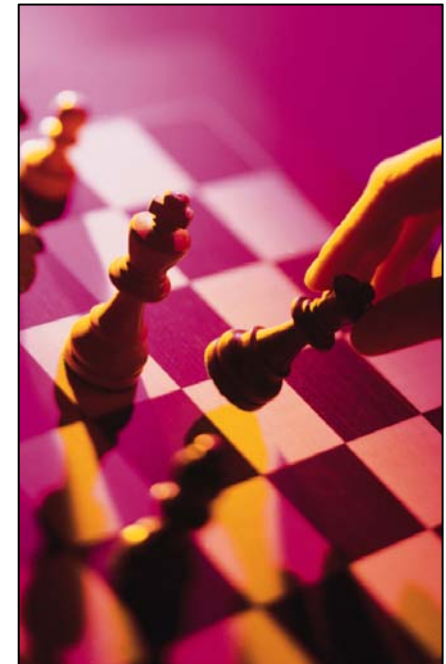
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- **Profile**

- Founded in 1986 by former partners of The Boston Consulting Group, Bain, and McKinsey
- Over \$100 M in cumulative consulting engagements delivered
- 300 professionals worldwide

- **Expertise**

- Gaining insight based on rigorous analysis and creative business thinking
- Building understanding and a commitment to action
- Generating a high return on the consulting investment



# What Alliance Brings To The Effort

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- Alliance brings a unique combination of analytical sophistication and people skills to the task. A client described Alliance as a “turbo charger and power steering” for his organization because of our ability to accelerate the resolution of complex strategy issues and to ease a change in strategic direction
- The client benefits in several ways from the Alliance approach:
  - **The organization learns from the process:** Alliance forms joint project teams with the client and shares relevant concepts and techniques. The organization continues to improve the strategy after the consulting project is completed
  - **The strategy is owned by the organization:** Involvement throughout the process and attention to the beliefs and personalities of key parties ensure that the results are well understood and supported. Alliance has pioneered a process to build consensus in politically charged business situations
  - **Action and change happen:** The strategy is linked to an assessment of the competencies and business processes of the organization and defines the skill-building and process changes required to succeed with the new strategy. The Alliance approach creates enthusiasm and commitment to action
- Alliance has developed proven concepts and methodologies to rapidly achieve results for its clients

# Representative Clients



# Selected Professional Biographies

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## **Michael Norkus**

**Michael** is President and founder of Alliance Consulting Group. Prior to Alliance, Michael was Vice President and Director of The Boston Consulting Group. He holds a Ph.D. in Law and Economics from the University of Hamburg, Germany, a Master of Law from the University of Paris, and an M.B.A. from Harvard Business School.

In his thirty years of consulting experience, Michael has worked on many growth strategy assignments, specializing in people and knowledge-intensive industries. Major clients include Office Depot, Coca-Cola, IBM Global Services, PRG Schultz, PWC, BDO Seidman, Bell&Howell, and others.

Michael has led senior executive workshops and seminars for a large number of Fortune 500 companies. He has also led several merger, acquisition and divestiture studies. He is a member of the Board of Directors of Overland Storage (OVRL), The Whitehead Institute, and The Boston Public Library Foundation.

## **John O'Reilly**

**John** is a Partner at Alliance Consulting Group and manages the firm's financial services and acquisitions practices. He holds an M.B.A. degree from Harvard Business School, and B.A. and M.A. degrees from Cambridge University (U.K.).

John's consulting work has spanned a broad range of strategic issues across a wide range of industries including financial services, media and consumer products. He has managed studies reviewing corporate, business unit and product strategy, as well as examining functional issues such as marketing and distribution. He has also led many assignments evaluating acquisitions, buyouts, recapitalizations and divestitures for both corporate and private equity clients.

Prior to joining Alliance John's management experience includes working as a Group Product Manager for Fidelity Investments and as Vice President of Marketing for General Cinema Corporation. John's consulting experience includes working as a consultant with Bain & Company, and as Managing Director of Knightsbridge Associates. His background also includes serving on the Harvard Business School faculty as a Research Associate.

# Selected Professional Biographies

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## **Tony Rhie**

**Tony** is a Partner at Alliance Consulting Group and leads the firm's Consumer Goods and Food and Beverage practices. He holds an M.B.A. from the Kellogg School of Management and a B.S. degree, magna cum laude, in Finance and Marketing from the Wharton School of Business.

In his fifteen years of strategy consulting, Tony has led a wide range of engagements for clients focused around areas such as innovation growth strategies, profit improvement, and marketing and sales effectiveness. His clients have included leading companies in soft drinks, magazine publishing, toys and gaming, and themed entertainment. Recent assignments have included repositioning a major cruise line, finding profitable new growth opportunities for a leading beverage manufacturer, and improving the marketing effectiveness for a leading toy and gaming company.

Prior to joining Alliance, Tony was a consultant with The LEK Consulting Group where he specialized in value based management and mergers and acquisitions strategies.

## **Stephen Crolius**

**Steve** is a Vice President of Alliance Consulting Group. Prior to joining Alliance, Steve was a Principal of Towers Perrin and a Manager at The Boston Consulting Group. He holds a B.S. in Biology from Stanford University and an M.B.A. from the University of Rhode Island. He has 18 years of consulting experience with a focus on Global 1000 corporations and leads the firm's Retail and Business Services practices.

Steve recently has led strategy assignments for Office Depot, Black & Decker, and Advanced Technology Services. Steve's focus since the early 1990s has been on growth strategy, typically involving integration of competitive analysis with market/customer insights.

Steve's experience in the service sector started in the mid-1990s as services received increasing emphasis in many companies' strategies. Clients for this work included traditional manufacturers, such as Lockheed Martin, looking to add services to their portfolio of offerings, as well as traditional service providers, such as PriceWaterhouseCoopers and the National Institute of Standards and Technology (NIST), looking to expand into new fields.

# Contact Information

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