By Mac McIntire

How to Align Your Strategies and People to Achieve Long-Term Profitability and Growth

Well-designed company strategies are logical. They make sense and are easy to follow. Every tactic and employee action within the organization is directly tied to the strategic intentions of the company. Every employee is focused on achieving the overarching strategic objectives of the company.

Never before in the history of the modern workforce has the concept of a focused effort and teamwork been more important to the success of your business.

Creating a focused organization starts with ensuring that everything within your company is driven by your strategies for long-term profitability and growth. Success in any enterprise begins with clarity of purpose and a thorough articulation of, what I call, the *STRATEGIC LOGICS®* of your company.

Well-designed company strategies are logical. They make sense at every level of the organization. They are easy for your staff to understand and follow. When your strategies are logical there is no confusion in the minds of your managers or employees regarding your company's strategic objectives. Your business "makes sense." Everyone "gets it." They understand how all of the pieces fit together. They can see how the tactics implemented on the front line to achieve your strategies naturally, and logically, fit together.

A well-thought-out strategic plan covers the nine strategic elements, or "logics", of your business (see graphic). These logics define your *strategic intent*. They establish the *business imperatives* that must be achieved to maintain the financial viability of your company.

In this article I outline these nine elements in their logical order. The order of the logics is important. It's imperative that each strategic element be addressed in the proper sequence. The conclusions from the first logic drive the decisions made in the second and all subsequent logics. Each logic affects all of the logics that follow. Taking them out of order impacts the logical alignment of your organization. Businesses that fail to follow the logical order tend to create business plans that cause significant misalignment within the organization.

Strategic Logics

The first consideration for aligning all actions within your company is to determine your **Customer Logic**. Companies who have gone through the strategic planning process with me in the past will notice a change in the order of the first two logics.

The ongoing recession and dramatic changes in the market require an external assessment of the shift in your customers' attitudes, values and behaviors. Customers are not patronizing businesses the same way they did in years past. Their spending patterns have changed. Their needs and expectations have changed. Consequently, the delivery of your products and services, and the way you attract and retain customers, may also have to change.

The first step in determining your customer logic is to evaluate the conditions and changes regarding your current target customers. You must determine which customer segments are still viable and which are not. You also need to look at emerging customer markets and other customer trends within your market to assess shifts in customer demographics within your target markets.

Your customer logic has two prongs, or core sub-strategies – attraction strategies and retention strategies. Attraction strategies are those that will entice customers to try your products and services. Retention strategies are those that will keep your current customers from defecting to your competitors.

Attraction strategies include determining whether it is best to have a narrowly defined value package that people buy under specific circumstances, or to have a wide range of offerings that enable you to meet the needs of diverse customer populations. For example, which is best: to focus your customer base to a narrowly defined customer group, or to cast a wide net and try to pull in every fish in the sea?

To help you decide how best to position your products to specific targeted customer groups, here are some of the questions you should consider. Are there areas of natural growth where you can expand the size of your customer base? Can you bundle or unbundle your products to attract new customers? Are there new avenues of customer access or new channels of delivery that could grow greater customer volume?

Retention strategies require constant and accurate assessment of shifting customer expectations and needs. To maintain your current customer base you must know exactly what pleases and displeases your customers and give them the products and services they demand.

In a down economy there is no room for error in the decisions you make regarding your strategic logics. The conclusions you draw from your customer logic determine the decision path for all subsequence decisions in the next eight logics. Therefore you need to make sure you answer correctly the host of question associated with your customer logic.

Once you know who your customers are and what products and services they wish to buy, you now can outline your **Product Logic**. Your product logic entails identifying which of your products and services have the greatest potential for success with your current and future customers. It involves a probing analysis of your *value proposition*, both tangible and intangible, as you directly and indirectly meet your customers' needs.

To identify your product logic you need to determine which value premise best positions your products in the market. A value premise differentiates your products from those of your competitors. This differentiation may be such things as product uniqueness, special features, functions or benefits. For example: Does your product have an innovative style? Does it have an unmatched design or texture? Is it ergonomically unique? Does it meet a cutting edge need? Is it being introduced at the precise time to coincide with current market demand? Will it start a new trend? Does it appeal to a distinct lifestyle? Will it be a status symbol for those who buy it?

(For more information on how to differentiate your products, see another of my articles entitled, *How to Differentiate Your Products to Enhance Your Competitive Position*.)

Your product analysis also requires identifying which new products or services you could introduce into the market in order to attract new customers.

Once you've clearly defined who your customers are and which products and services you offer them, you now can determine your **Competitor Logic**. Your competitors are *only* those companies that offer your target customers the same or similar products that you do, those that are going after the same customer dollars you have targeted, or those that may soon enter your targeted customer market.

Your competitor logic is an assessment of who your true competitors are based on your product and customer logics. In this category you conduct a thorough competitive analysis to evaluate what your competitors are doing to attract the customer dollars you want. You also note what your competitors are doing to keep their customers from defecting to you.

In addition, your competitive logic includes an assessment of your competitors' strengths relative to your company's products and services. It involves identifying competitor weaknesses that can be exploited and other opportunities from which you can strengthen your competitive position. Your competitive logic is a comprehensive assessment of how you can entice customers to choose your value package over that of your competitors and thereby attract customers from your competitors to your products and services.

During your competitive assessment you also must uncover any competitive threats that may be lurking on the horizon. Identify any new products your competitors might be introducing into the market. Also identify new companies that might be emerging in your market who may become a direct threat to your business. Once your competitors have been identified you need to determine the specific defense strategies you can launch to thwart the incursion of these emerging competitors.

The primary objective of developing your competitive logic is to identify what you must do to create or maintain your competitive advantage. In your competitive logic you develop your *attack* strategy to go after your targeted customers who are patronizing your competitors and your *defend* strategy to keep your competitors from stealing your customers.

From the knowledge gained through the previous logics, you develop your **Marketing Logic**. This is where you clearly identify the best means to attract and retain your targeted customers.

Your marketing logic answers questions such as the following: What will you emphasize in your sales, marketing, advertising, and public relations activities? What will your brand message be? How will you position your products and services to your customers? What media modes and methodologies work best for the types of customers you wish to reach? What database management or customer tracking systems will you need in order to communicate with your customers or to expand your customer base?

The effectiveness of your marketing approach, of course, is just one component of your **Economic Logic**. A cogent marketing plan certainly affects the economic success of your company, but there are other strategies you could undertake to ensure profitability and growth.

For example, you could grow your business by increasing the volume of customers you serve. You could seek to gain market share at the expense of your competitors. You may wish to create the demand for your products in the minds of those who currently don't use your products. You could absorb sales volume or market share by merging with or acquiring other businesses. You also could vertically integrate your offerings with others in the supply chain, partner with other suppliers, or create a significantly advantageous cost structure that improves profitability and growth potential.

The critical outcome from your economic logic is to determine how best to achieve profitable growth. Your economic discussion includes identifying the specific financial results you expect as a logical outcome of your product, customer, competitor and marketing logics.

Once you have identified these five *externally* focused Strategic Logics, you are better positioned to focus inward to set your internal organizational strategies.

The first of these internal strategies is your **Quality and Service Logic**. Note the placement of this logic in the sequence of logics. Many companies start with a premise that they must provide high quality products and superior service in order to be successful. But this is not logical. If no other company can replicate your products and your products are in high demand, people will buy your products even if the quality is marginal. When you are the only game in town, customers will settle for lower levels of quality or service merely because there is no where else for them to go. Monopolies own the market until competitors arise, regardless of the level of service they provide.

Likewise, if your primary customers have limited income, they cannot afford, nor do they typically expect, high caliber products or services. Successful companies sometimes flood the market with low priced, lesser quality products in an effort to bankrupt under-capitalized competitors who have limited staying power because of the small size of their enterprise. Big companies with lesser quality have been known to knock off smaller companies with higher quality products.

There are many variables to success, but, contrary to popular myth, quality and service shouldn't necessarily be your first considerations. The standard you set for quality and service should be an obvious and logical conclusion from your product, customer, competitor, marketing, and economic logics.

Once you've assessed the level of quality and service you must provide to achieve your strategic objectives, you next assess the best methods to reach that standard. Your **Resources and Technology Logic** forces you to look at whether people or technology is the best way to deliver the level of quality and service your business requires.

In the resources and technology logic you should analyze which systems, technology, materials, equipment, facilities and other resources are needed to support your strategic initiatives. This logic also involves assessing which current commitments, processes, investments and relationships are no longer in harmony with your strategic direction. Those resources or technologies that don't help you grow your business should be discarded.

With a clear understanding of the level of quality and service you need, and the resources and technology it will take to achieve it, you are now ready to determine your **Organizational Logic**. This includes identifying the best way to organize your company in order to produce your products and services to meet or exceed customer expectations.

For example, your enterprise might be organized around a product focus, production focus, sales focus, expertise focus, cost control focus, personal contact focus, account management focus, or any of a number of other foci.

Your organizational logic also includes an assessment of the policies, procedures, processes and practices needed to ensure the smooth flow of materials, information and other elements vital to the success of your operation. It entails determining the management structure, spans of control, decision making authority, problem solving processes and other practices that will ensure your products and services are executed according to the standards you set.

Only after all of the previous logics have been determined will you be in a position to establish your **Human Resource Logic**. Human resource strategies are considered last because the conclusions from each of the previous logics drive human resource decisions.

The extent to which your human resource practices are aligned with your external and internal strategies greatly affects the profitability and growth of your enterprise. Your employees are the ones who will carry out your strategies. Therefore all human resource policies and practices must be designed to help your employees achieve your strategic objectives. Further, all of your human resource practices must be correlated and aligned with all eight of the previous logics. This includes recruiting, hiring, orienting, training, measuring, monitoring, compensating, rewarding, incenting, promoting, and the day-to-day managing of your employees.

For example, if you've identified that superior service is a critical success factor for your company, your recruiting and compensation practices must allow you to attract and retain quality employees. If a shotgun marketing approach is essential to attracting more customers, then it would be imperative to create an internal marketing (communication) mechanisms that enlist the "sales" support of every employee to spread the word about your products and services.

Likewise, if a swift response to rapidly changing conditions in the marketplace is imperative to your company's success, your management systems must promote risk taking and fast decision making. Your managers must be trained to encourage and respond to employee input. Your reward systems must reinforce creativity and innovation. And all of your HR practices must be designed and aligned to create a fluid and pliable workforce.

It is impossible to make sound Human Resource decisions without knowing the strategic intentions of the eight previous logics. The type of employees you hire should match the type of customers you have. Your employees must be capable of producing the products you offer and delivering the service you need to satisfy your customers. Your employees should also help improve your competitive position and be a part of your marketing plan. Employees must know how to increase revenue and reduce costs to improve your economic position. Their performance also must be in harmony with your quality and service standards. Finally, your workers must be capable of using the technology within your company while working within the parameters of your organizational structure and culture. All of your Human Resource tactics must be directly aligned with all of the previous logic.

Staying Focused

The outcome of your Strategic Logics is your *strategic intent*. But intent without action is useless. The key to strategic alignment is turning your strategic intent into specific actions that achieve your strategic objectives.

The Strategic Logics of your company must be forever in the consciousness of your managers and employees. The logics are at the heart of every decision and every action taken within your organization. They should be the conscious focus of everything you do. Every employee must understand his or her role and what he or she must do to achieve the strategic objectives of your enterprise. The logics give focus to everything within your company.

As stated earlier, the first five logics (product, customer, competitor, market and economic) are *externally* focused, while the last four logics (quality/service, resources/ technology, organizational, and human resources) are *internally* focused.

In mature organizations the senior leaders of the company are primarily *externally* focused and *future* driven. They worry most about the future growth of the company and are concerned about the *revenue* producing elements of the business. Consequently, they own the first five logics and are charged with achieving the revenue enhancement strategies that grow the business by creating new markets and new customers.

At the same time the department managers within these successful businesses remain *internally* focused and *present* driven. They worry about maintaining the stability of the company. They realize the company will be stable when the employees produce the products and deliver the services at the quality levels expected by the customers. In other words, operational managers stay focused on improving the efficiency and effectiveness of the operation, thereby reducing *expenses*. Department managers, with the support of the Human Resources Department, own the last four logics and are charged with achieving the performance improvement and cost reduction strategies outlined in the logics. They retain current customers by producing quality products, delivering exceptional service, and discovering how to conduct business better, cheaper and faster. The continually improve the processes to ensure the business is better year-over-year.

While you were specifically instructed to identify customer attraction and retention strategies in the Customer Logic summary above, in reality the first five logics are all *growth* strategies designed to grow the business by bringing in new and existing customers. The last four logics are *retention* strategies designed to maintain customer loyalty once the customers have been brought in.

Notice that quality and service are retention strategies, not growth strategies. Even though many business leaders believe quality and service are growth strategies, this is normally not true. Customers *expect* your products to be made well. They also expect to be served in a superior way. Quality and service are a given, not a differentiation. No matter how hard you try or how good you become, quality and customer service will not attract *new* customers. Advertising that "quality is job one" or that you have the "friendliest employees in town" seldom convinces people to patronize your business. They will only be convinced of the truthfulness of your advertisements *after* they experience your products or service. Therefore, quality and service are *retention* strategies. Quality and service keep customers from defecting *after* they've patronized your business.

Of course the quality of your products and the efficiency of your service may attract new customers via word-of-mouth advertising. When people hear from others how good your products are or how friendly your people might be they may be more inclined to patronize your business. But, again, generally speaking, businesses should not hang their strategic hopes of driving the masses to the business by emphasizing quality or service. Instead they should focus on *delivering* quality and service. It is how you deliver these components that will create loyal customers.

Likewise, new technology is not a growth strategy either. Normally new technology is a means used by companies to produce their products more efficiently or effectively. "Better, faster, and cheaper" processes don't necessarily draw in new customers. Customers will not know your processes are better, cheaper or faster until after they have experienced them. However, new technology definitely helps to retain customers once they have experienced the new methods.

Similarly, companies who reorganize themselves to be more responsive to the needs of the customers do so primarily to retain business. A potential customer has no idea how responsive your company is until *after* they've done business with you. Customers don't know how friendly, knowledgeable, or helpful your employees are until they have patronized your establishment. Consequently, organization-al and human resource interventions also are *retention* strategies.

As stated earlier, it is the primary responsibility of your company's leadership team to grow the business. The executive team should be focused on getting new customers – generating business. Your employees are responsible to keep the customers loyal once they've come through the door – customer retention.

Executive management grows the business by positioning the right products to the right customers in the right market at the right price in order to attract new customers or acquire targeted customers from competing companies. Executive leaders need to be resolutely focused on the first five logics. Concurrently, department managers ensure that everything within the company is aligned day-to-day to serve current and new customers in a way that ensures their loyalty. Thus, a logical external and internal focus, when properly aligned, ensures the long-term profitability and growth of the company.

Conclusion

Staying competitive requires a finely tuned organization where every precious company resource, both capital and human, is precisely focused and aligned with your company's specific growth strategies. It demands a logical and rational business approach that is easy to follow and makes logical sense to your managers and employees.

Achieving future business success requires senior managers who can lead your enterprise to expanded markets and new business opportunities. It calls for department managers who, through operational excellence, build customer trust and confidence to ensure customer loyalty. It necessitates employees who know where the company is going and know how to adjust their performance to achieve the strategic objectives. It requires a commitment to your Strategic Logics at every level of the organization.

Invariably, your role as an effective manager requires that you ensure every action of your employees is tied specifically to the strategic goals and objectives of your company. When your company's strategies and tactics are logically aligned, everything else falls into place. §

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