

Why Is Strategy Creation such a Rocket Science ?

Warsaw
November 18, 2014



Peter Kelemen

- 1995-2000 ABM F&HC C&SR (PRG)
- 2000-2002 BM Femcare /Shopper (BUD)
- 2002-2005 BM PCC CEEMEA (UK)
- 2005-2008 AMD PCC GOBAL (USA)
- 2008-2012 AMD PAPER CES (BUD)
- Marketing Director Beauty & Grooming CE



Married, two kids,
no dog, no cat



STRATEGY credentials

- 12 years of strategy development in P&G
- Developed Global Brand & Category Strategy
- Designed regional Organizational Strategy
- Still working on successful parenting strategy

I - N - T - P

(just like Albert Einstein, Abraham Lincoln, Charles Darwin, Adam Smith, Larry Page, Sergey Brin ☺)



Your experience with strategy

- How would you define strategy – what would be your own definition ?
- Have you ever personally witnessed a winning strategy ?
- Who has experience with developing a real life (not case study) strategy that worked?

Strategy : Academic framework

faculty.fuqua.duke.edu/~moorman/GeneralMills/Section2/Section2.htm

Audi Portal: Sensors Electronic Diversity V



Strategy Development

HOME Project Guidelines Data Collection & Analysis Strategy Development Concept Development

CUSTOMER FRAMEWORKS

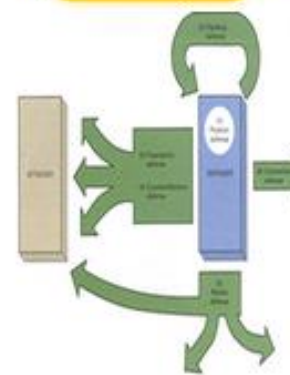
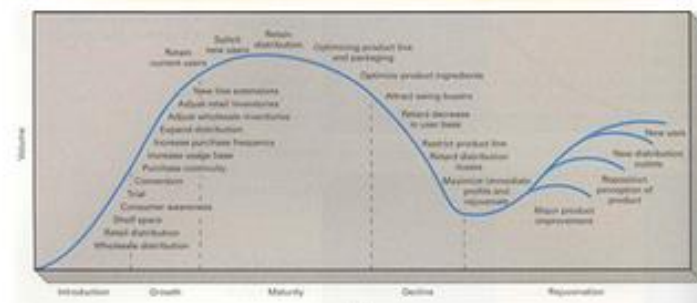
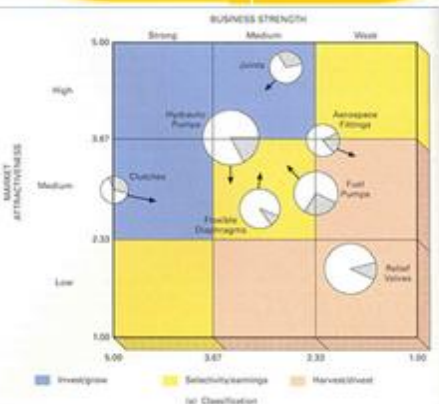
MARKET-BASED ASSETS	PRODUCTS AS SATISFACTION-GENERATING SYSTEMS
CUSTOMER-ORIENTED MARKET STRUCTURES	SHARE DEVELOPMENT TREE
SHAREHOLDER VALUE MODELS	SEGMENT PROFITABILITY
MARKET OPPORTUNITY ANALYSIS FRAMEWORK	SEGMENTATION STRATEGIES
VALUE PROPOSITION/ VALUE CLUSTER ANALYSIS	FIVE PATTERNS OF MARKET SELECTION
OFFERING-MARKET MATRIX	OFFENSIVE STRATEGIC MARKET PLANS
VALUE DELIVERY SYSTEM (VALUE CHAIN ANALYSIS)	DEFENSIVE STRATEGIC MARKET PLANS
GENERIC VALUE TYPES	CUSTOMER PROFITABILITY ANALYSIS

INTEGRATIVE FRAMEWORKS

3 Cs ANALYSIS	THREE VALUE DISCIPLINES	PORTER'S 5 FORCES
SWOT ANALYSIS	OPPORTUNITY EVALUATION MATRIX	THREAT MATRIX
VALUE NET	MAPPING BUSINESS LANDSCAPES	STRATEGIC GROUPS
THE SPACE MATRIX	KOTLER'S TOPOLOGY OF MARKETING STRATEGIES	OPPORTUNITY ASSESSMENT (AND GRID)
RJS MODEL	COMPETITIVE POSITIONING	CLASSIC PRODUCT LIFE CYCLE
EVOLUTIONARY MODEL OF PRODUCT LIFE CYCLE	BCG MATRIX	COMPETITIVE ADVANTAGE MATRIX
GE/MCKINSEY PORTFOLIO MATRIX	DIRECTIONAL POLICY MATRIX	IMPROVED CRITICAL ISSUES MATRIX
BAYESIAN NETWORKS	ANSOFF'S PRODUCT/MARKET EXPANSION GRID	SHETH MATRIX
ABELL'S FRAMEWORK FOR STRATEGIC PLANNING		

COMPETITOR FRAMEWORKS

PORTER'S THREE GENERIC STRATEGIES
THE STRATEGIC GAMEBOARD
POPULATION ECOLOGY MODEL COMPETITIVE MARKETS
SHAREHOLDER VALUE CREATION NETWORK
RESOURCE-BASED VIEW OF STRATEGY
DYNAMIC VIEW OF STRATEGY
GAME THEORETIC FRAMEWORKS
COMPETITOR ANALYSIS BEHAVIORAL THEORY PERSPECTIVE



Lets Keep Things Simple

Life is really simple, but we insist on making it complicated.

Confucius

If you can't explain it simply, you don't understand it well enough.

Einstein

Any intelligent fool can make things bigger and more complex... It takes a touch of genius - and a lot of courage to move in the opposite direction.

Einstein

Life is too short to read the second page 😊

Anonymous P&G MD

Definition of Strategy

Strategy, a word of military origin:

- a plan of action designed to achieve a particular goal.
- strategy is concerned with how different engagements (battles) are linked.
- the terms and conditions that a battle is fought on and whether it should be fought at all is a matter of strategy.
- Strategy is "a comprehensive way to try to pursue a Goal".

Making Everything Easier!™

Competitive Strategy FOR DUMMIES



The “strategy” journey

1. Who are we ?
2. Where are we today ?
What business are we in with?
3. Where do we want to go ?
4. What do we need to get there ?
5. What is our plan for the journey ?

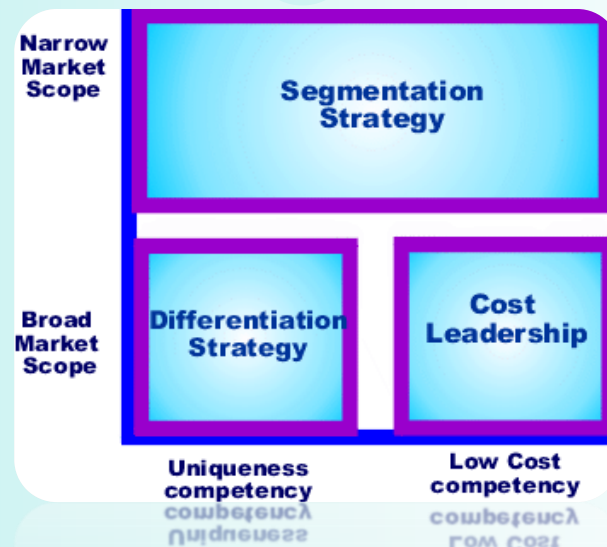
*Peter Kelemen's
5W Strategy Development Model*

In five simple steps

1. Who are we today ?

Peter Kelemen's Bicycle shop in Bielawa

- good quality bikes for competitive prices for the whole family
- new, & used bikes, service, financing



Landscape (GEOGRAPHY, CUSTOMER SEGMENT) :

- 10 bike shops in a proximity of 5 km (we are the 3rd biggest store in area)
- similar assortment, service and prices
- serves mostly customers for whom this is the closest bike store
- deep price promotions attract also customers from bigger geographical area

2. Where are we today ?

Peter Kelemen's Bicycle shop in Bielawa

- good quality bikes for competitive prices for the whole family
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Landscape (GEOGRAPHY, CUSTOMER SEGMENT)

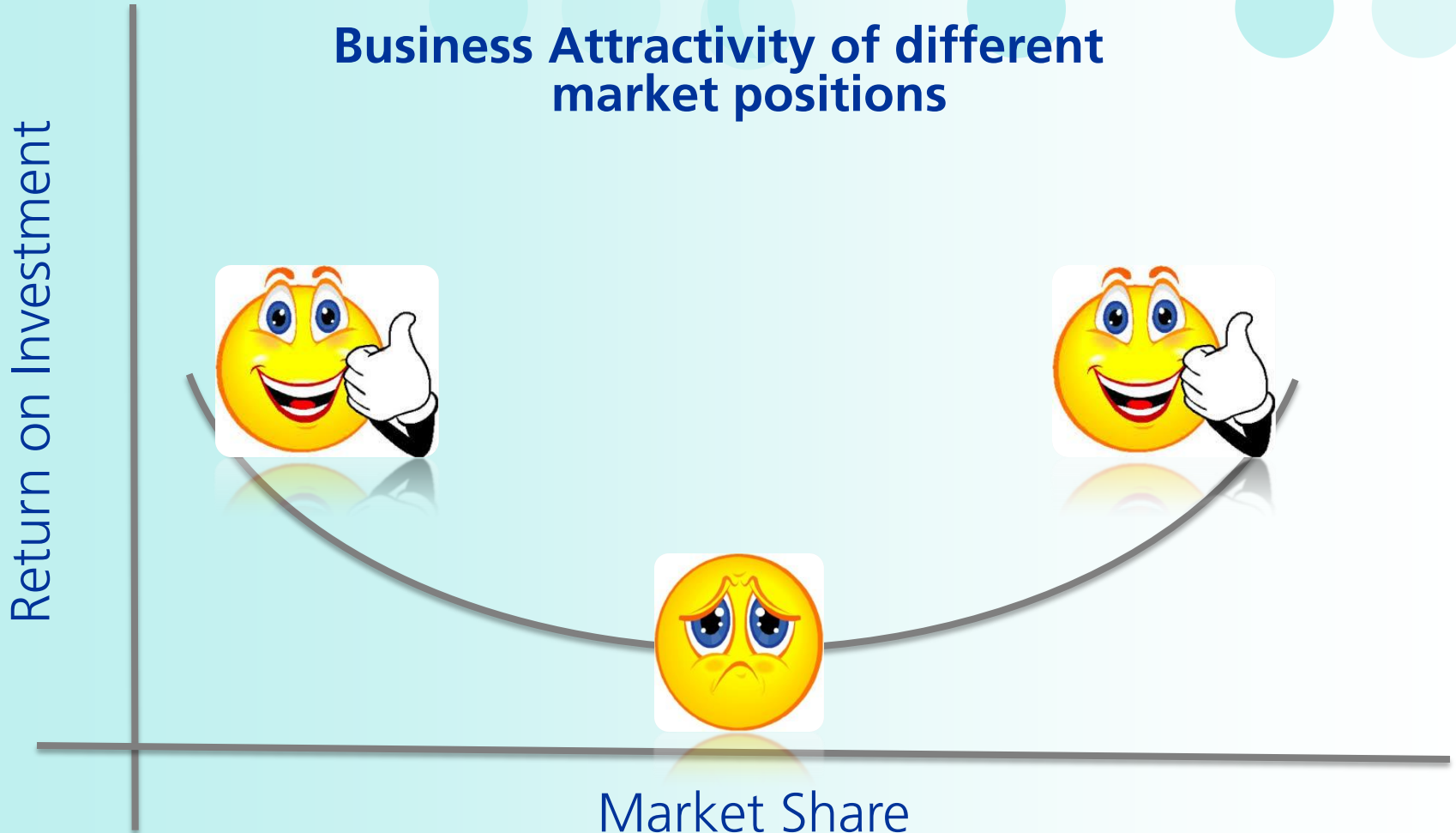
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Lets Define Our Competence Profile:

- What are we capable of doing better then competition? POD
- What can we do similarly to our competitors? POP
- What can our competitors do better then we do ? POI

3. Where do we want to be tomorrow?

Business Attractivity of different market positions



3. Where do we want to be tomorrow?

Peter Kelemen's Bicycle shop in Bielawa

Performance :

- Biggest (size) vs. Most profitable (structure) vs. Most admired (image)..

Geography:

- Bielawa vs. Warsaw vs. Poland vs. Central Europe vs. ...

Customer segment:

- Recreational bikers vs. Professionals vs. non-bikers

Business Profile:

- What is the end product we offer: Bike seller vs. Bike servicer vs. Eco-transport provider vs. Healthy lifestyle developer vs. ...

Vision : Peter Kelemen's Bike shop will be the leading (i.e. biggest) supplier of bikes & services to professional bikers in Poland.

4. What does it take to get there ?

Who are our new Competitors :

All bike stores selling professional biking equipment & all bike shops offering race bike servicing in Poland

Who are our new Customers:

All professional bikers in Poland – i.e. the ones who compete in any kind of bike racing

What are the key needs of our Customers :

- all the products they need for competition in one place
- staff who knows everything about race biking needs (ex-racers?)
- service they can rely on fully even for the most important race

4. What does it take to get there ?

POD (point of difference) :

- Widest assortment vs. faster delivery vs. better price vs. friendlier staff vs. best quality service vs. professional advice vs.

POP (point of parity) :

- location, price, assortment, opening hours, staff skills, payment and delivery terms ,

POI (point of inferiority) :

- price, location, ...

**VISION : Peter Kelemen's Bike shop will be the leading (i.e. biggest) supplier of bikes & services to professional bikers in PL
by**

STRATEGY : offering the broadest selection of products and top quality service a race biker needs to win his next race.

4. What does it take to get there ?

Time test your strategy

- understanding of the external environment.

- What important social, economical, cultural, governmental or innovation factors in the external world will present opportunities or threats in the future?
- i.e. is there a change coming that can significantly change the external environment and therefore impact your strategy

Is my new strategy robust enough to withstand the changes that might be coming in the external environment?

5. What is the itinerary for the journey

- 1. Document your strategy – write it down including success measures.**
- 2. Appoint the owner / guardian of the strategy .**
- 3. Communicate it to the whole organization – get them on-board**
- 4. Translate the new strategy to an action plan – what will we do FIRST to get going**
- 5. Review the progress regularly – and adjust your action plan if needed (not your Vision or Strategy)**

A few practical tips:

- Your strategy has to be choiceful – declare not only the few choices that you will do, but also clarify which choices you will not do.
- Check whether you have all the resources needed to successfully execute your strategies – even the best strategy leads to disaster if you can not put the needed resource into place.
- Formulate your strategy in short and simple sentences – if you can not do this it means you do not have a clear single minded strategy.

A few practical tips:

- A winning strategy should always be based on unique (difficult to match) strengths.
- Strategies should not change frequently – well defined strategy can stay in place for a decade.
- Strategy has to be function / department neutral – each functions need to be able to translate the selected strategies into a function specific action plan
- Do not mix strategies with action items.
- Communicate your strategy to the entire organization – repeatedly.

A confession – the biggest strategy mistakes I have made in my career:

- Being unrealistically ambitious (Prel I bottle redesign – better & cheaper)
- Creating strategy in vacuum (CEEMEA PCC strategy vs. global company direction)
- Not being objective when assessing POD of P&G and competitors
- Failing in “selling” the new strategy to the organization



Thank YOU!

PS. Can you guess what is Tesco's
and Wal-Mart's Strategy is

P&G

hmmm....

Tesco's global strategy?

Tesco has a well-established and consistent strategy for growth, which has allowed us to strengthen our core UK business and drive expansion into new markets.

The rationale for the strategy is to broaden the scope of the business to enable it to deliver strong sustainable long-term growth by following the customer into large expanding markets at home – such as financial services, non-food and telecoms – and new markets abroad, initially in Central Europe and Asia, and more recently in the United States.

The strategy to diversify the business was laid down in 1997 and has been the foundation of Tesco's success in recent years. The new businesses which have been created and developed over the last 12 years as part of this strategy now have scale, they are competitive and profitable - in fact we are now market leader in many of our markets outside the UK.

The Group has continued to make good progress with this strategy, which has five elements, reflecting our four established areas of focus, and also Tesco's long-term commitments on community and environment. Importantly, the momentum which it has given the business has allowed the Group to continue to grow well through the economic downturn.

The objectives of the strategy are:

- To be a successful international retailer
- To grow the core UK business
- To be as strong in non-food as in food.
- To develop retailing services - such as Tesco Personal Finance, Telecoms and Tesco.com
- To put community at the heart of what we do.

hmmm....

Wal-Mart global strategy

- The central goal of Wal-Mart is to keep retail prices low -- and the company has been very successful at this.
- Wal-Mart also pushes its suppliers, some say relentlessly, to cut prices.
- The company has been criticized for the relatively meager wages and health care plans that it offers to rank-and-file employees. It has also been accused of demanding that hourly workers put in overtime without pay. Store managers often work more than 70 hours per week. They are expected to pinch pennies wherever they can, even on things like the heating and cooling of the stores. In the winter, stores are kept at 70 degrees Fahrenheit, and in the summer, they stay at 73.
- Wal-Mart is headquartered in Bentonville, Arkansas, instead of an expensive city like New York. The building is drab and dull. You won't catch executives in limousines and you won't see them dragging into work at 9:30 a.m. Executives fly coach and often share hotel rooms with colleagues. They work long hours, typically arriving at work before 6:30 a.m. and working half-days on Saturdays.

Decide to Grow,
GROW TO LEAD!

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