

Essential Strategy

Checklist

Introduction

It's a huge advantage in business to be able to offer something that no one else can. But is it enough? Can it keep you ahead of the competition?

Strategic planning is about finding your competitive advantage, and then using it to “win.” Success doesn’t just happen by itself – you have to have a strategy to make it happen.

There are many different approaches to strategy, and much debate about the best way to develop one. A lot depends on the business you’re in, and whether you need a strategy for an organization, a department, or a team.

This checklist – and the popular tools within it – will help you to:

- Understand your competitive environment.
- Analyze your own organization.
- Assess your strategic options.

From this, you’ll be able to grasp the skills necessary to build a strategy for your business, and to implement it successfully.

Enjoy using this checklist!



1. Understanding Your Competitive Environment

You need to understand the environment that you're competing in to decide on a strategy, either as an organization or an individual.

You can use [PEST Analysis](#) to establish whether a new environment can sustain a market for your product or service. PEST stands for Political, Economic, Socio-Cultural, Technological.

First, you work through these four factors, and brainstorm everything that applies to you in the four key areas. Then, you draw conclusions from the information that you've gathered.

Political: Consider such issues as the stability of the government, the strength of the rule of law, and the amount of business regulation. Also, think about environmental and consumer protection legislation.

Economic: Look at how stable the economy is, how high labor costs are, and the trends in tax and tariff policy. Consider whether disposable income is rising or falling, and whether globalization is impacting the economy.

Socio-Cultural: Check the population growth rate and age profile, and the levels of health, education and social mobility. Bear in mind any social, religious or cultural attitudes that could affect your business.

Technological: Think about what new technologies you could be using, and whether the government supports tech research. And look out for technological hubs that you could work with.

ACTION

Using the interactive worksheet on page 9, consider a business or organization that you know well – such as your own – and conduct a brief PEST Analysis.

2. Using Your Power in the Marketplace

If you know where power lies in your competitive environment, you can take advantage of a position of strength, or improve a weak situation.

According to renowned business strategist Michael Porter, the five forces that determine the balance of competitive power in a marketplace are:

Supplier Power: the ability of suppliers to drive up the prices of your inputs.

Buyer Power: the strength of your customers to drive down your prices.

Competitive Rivalry: the strength of competition in your industry.

Threat of Substitution: the extent to which different products and services can be used in place of your own.

Threat of New Entry: the ease with which new competitors can enter the market if they see that you are making good profits (and then drive your prices down).



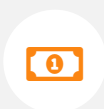
TIP

Our article, [Porter's Five Forces](#), includes a free worksheet to help you work out your relative power in your marketplace.

3. Finding Your Unique Selling Proposition

A Unique Selling Proposition (USP) is what you can provide that no one else can. If you have a USP, your customers must come to you, so you have a huge competitive edge.

USP Analysis helps you to find your USP, and to develop strategies to defend it. Follow these three steps to conduct your USP Analysis:



Understand what your customers value: brainstorm what customers value about your product or service, and how they make the decision about which product or service to buy.



Rank yourself and your competitors: once you've identified the characteristics that customers value, give yourself and your top competitors scores out of 10 for each one. Be objective, and score from the customer's point of view.



Identify where you rank well: plot your rankings on a line graph (you can use the one in the worksheet, [here](#)) to see how you stack up against your competitors. You should then be able to develop a simple statement of your USP.

ACTION

Click [here](#) to download our free USP Analysis worksheet, then use it to record your findings in the three steps.

4. Analyzing What You're Good At

Customers are willing to pay more for something that is unique, of good quality, and that sets you apart from your competitors.

[Core Competencies Analysis](#) helps you to discover what your organization is really good at, what your customers value about your organization, and to develop your expertise in the areas that really matter to them.

To be considered a core competency, any expertise you have must pass three tests:

Relevance: the competency must strongly influence your customer to choose your product or service. If it doesn't, your competitive position won't benefit.

Difficulty of imitation: the competency should be difficult to copy. This means that you can offer products that are better than those of your competitors. And by improving them, you can maintain their competitive position.

Breadth of application: the competency should give you access to a number of potential markets. Success only in niche markets won't be enough to sustain substantial growth.

ACTION

Using the table on page 9, consider whether your organization's main products and services have core competencies and fill in the appropriate boxes. Follow these steps:

1. Brainstorm the factors that are important to your clients.
2. Brainstorm everything that you think you do well.
3. Screen the things that you do well against the three tests above.
4. Screen the factors you identified as important to your clients against the three tests, to see if they could be developed into core competencies.
5. Review the two screened lists.

5. Understanding Your Strengths and Weaknesses

You need to understand your organization's strengths and weaknesses to develop a coherent strategy. Consider your organization both from your point of view, and from your customers' and competitors' perspectives.

[SWOT Analysis](#) is an effective tool for identifying your Strengths, Weaknesses, Opportunities, and Threats. It's easy to use and understand, and identifies potential courses of action quickly.



Strengths: consider what your organization does well, the unique resources you have, and what competitors and customers see as your strengths.



Weaknesses: ask yourself what you could improve, where you lack the resources or expertise of your competitors, and what your customers and competitors think you lack.



Opportunities: think about what opportunities are open to you, such as changes in technology, government policy, and demographics. Identify trends that you could take advantage of, and opportunities that suit your strengths.



Threats: identify trends or market changes that could harm your organization, your competition's activity, and the threats that your weaknesses expose you to.

TIP

Our article, [SWOT Analysis](#), has a free worksheet to help you to analyze your own SWOT status.

6. Understanding Your Strategic Options

In addition to his **Five Forces model**, Michael Porter also identified three generic strategies for developing a successful business: **cost leadership**, **differentiation**, and **focus**.

Cost leadership involves being cheaper than anyone else and having lower costs than anyone else, so your margins increase compared to your competition. You can either reduce costs while charging industry-average prices, or reduce your prices while still making a profit by reducing costs further.

Cost leadership is about minimizing the cost to your organization of delivering your products and services. The price paid by your customers is a separate issue.

Differentiation means offering a unique and desirable product or service. This usually means that your product has high-end features, good functionality, excellent customer support, and a valuable brand image.

If you opt for a differentiation strategy you'll need to innovate constantly, deliver high-quality products or services, and sell the benefits of your differentiated offering to your customers.

Focus involves offering a specialized service in a niche market. You can adopt a "cost focus," emphasizing a minimal cost in a focused market, or a "differentiation focus," offering a unique and desirable product or service within the same focused area.

ACTION 1

Consider the two airline types in the table on page 10. Which of the three generic strategies (cost leadership, differentiation, and focus) could you apply to each service?

ACTION 2

Think about one of the products or services that you offer. Then, using the diagram on page 10, plot the strategy that best suits that product or service.

Moving On...

This checklist is just a starting point for learning the skills you need to implement a successful business strategy. We have more than 200 strategy articles and resources at Mind Tools. You can explore them, [here](#).

Essential Strategy

Worksheet

1. PEST Analysis Worksheet

For instructions on PEST Analysis, click [here](#).

	Factor	Opportunity	Threat
Political			
Economic			
Socio-Cultural			
Technological			

2. Analyzing What You're Good At

Main Product / Service:	
Competency Test:	
Relevance	
Difficulty of imitation	
Breadth of application	

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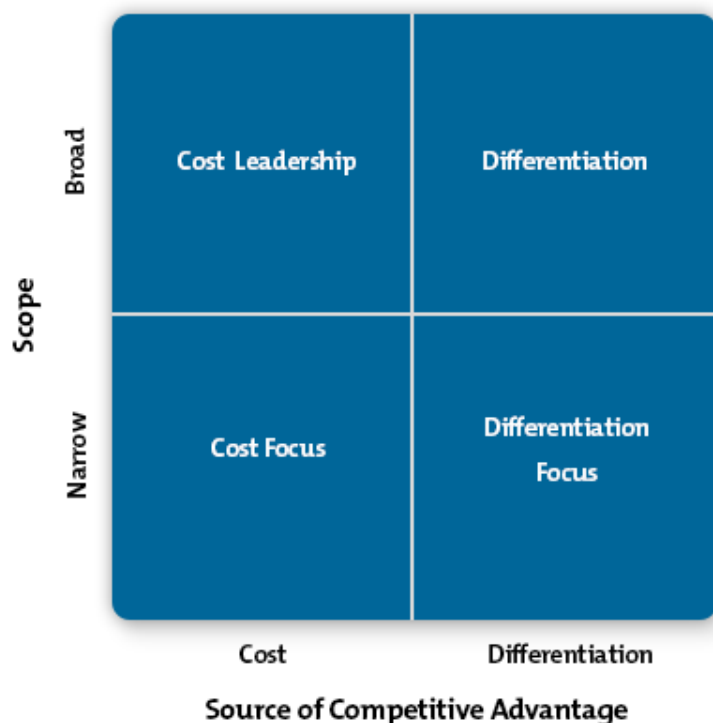
Worksheet

3. Understanding Your Strategic Options

Action 1:

Airline Type	Generic Strategy
Cheap, “no frills.”	
Luxury carrier with excellent service.	

Action 2:



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