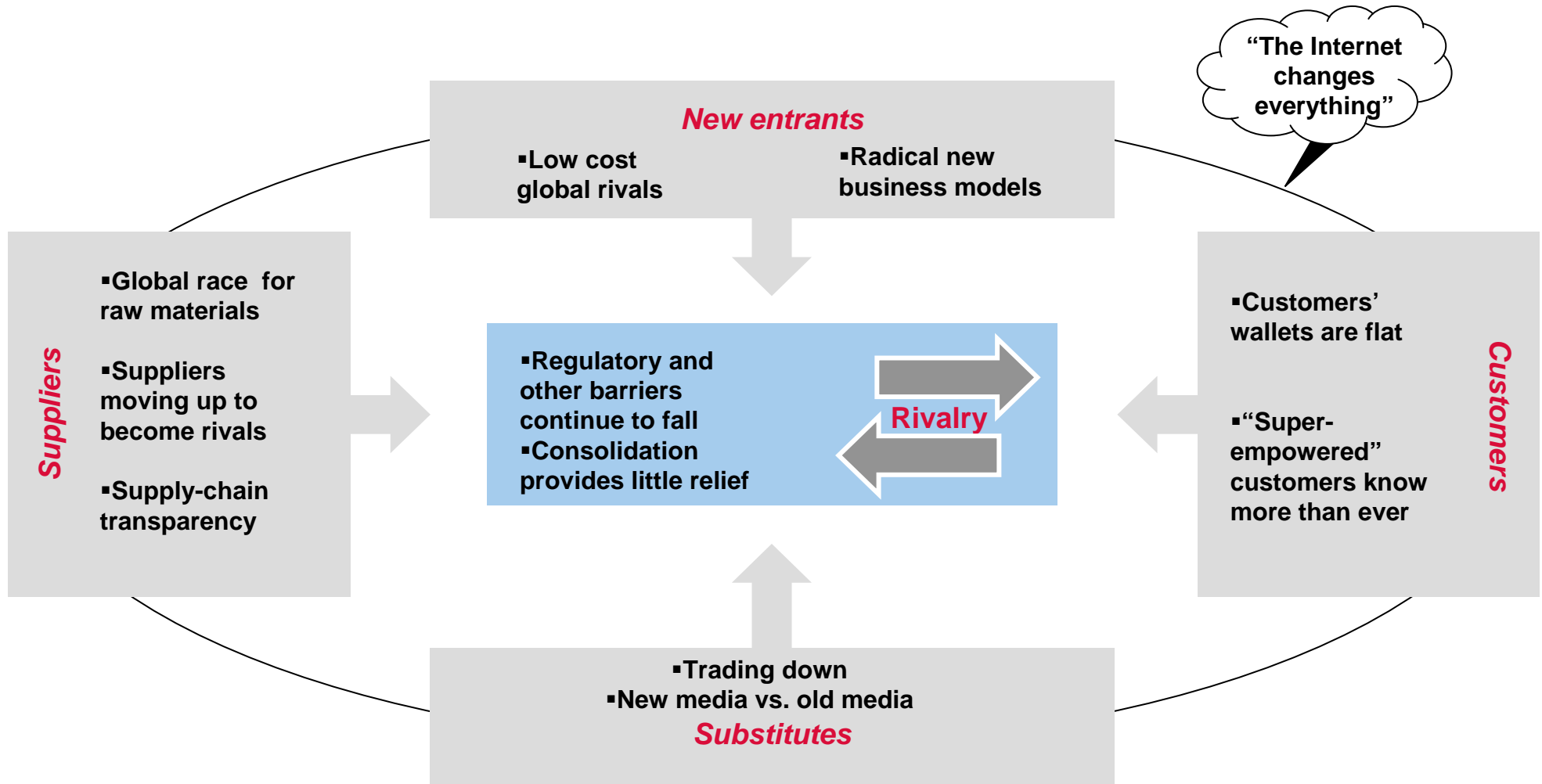


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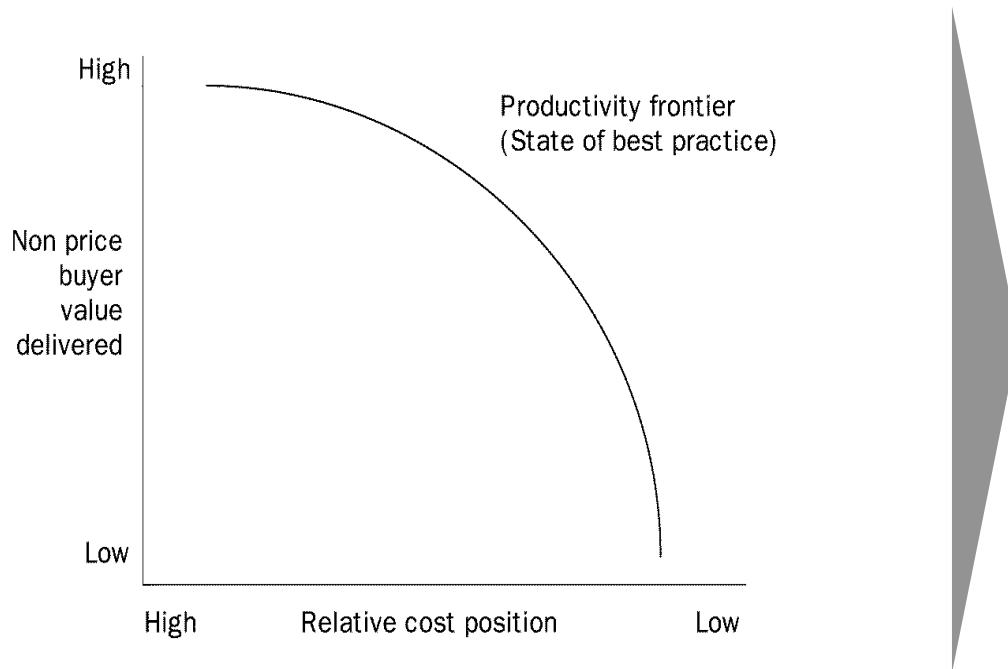
If strategy is a journey, how will we know we've arrived?



For most industries, competition is intensifying from all of Porter's five forces



Every organization also faces intense pressure in terms of operational effectiveness and strategic differentiation

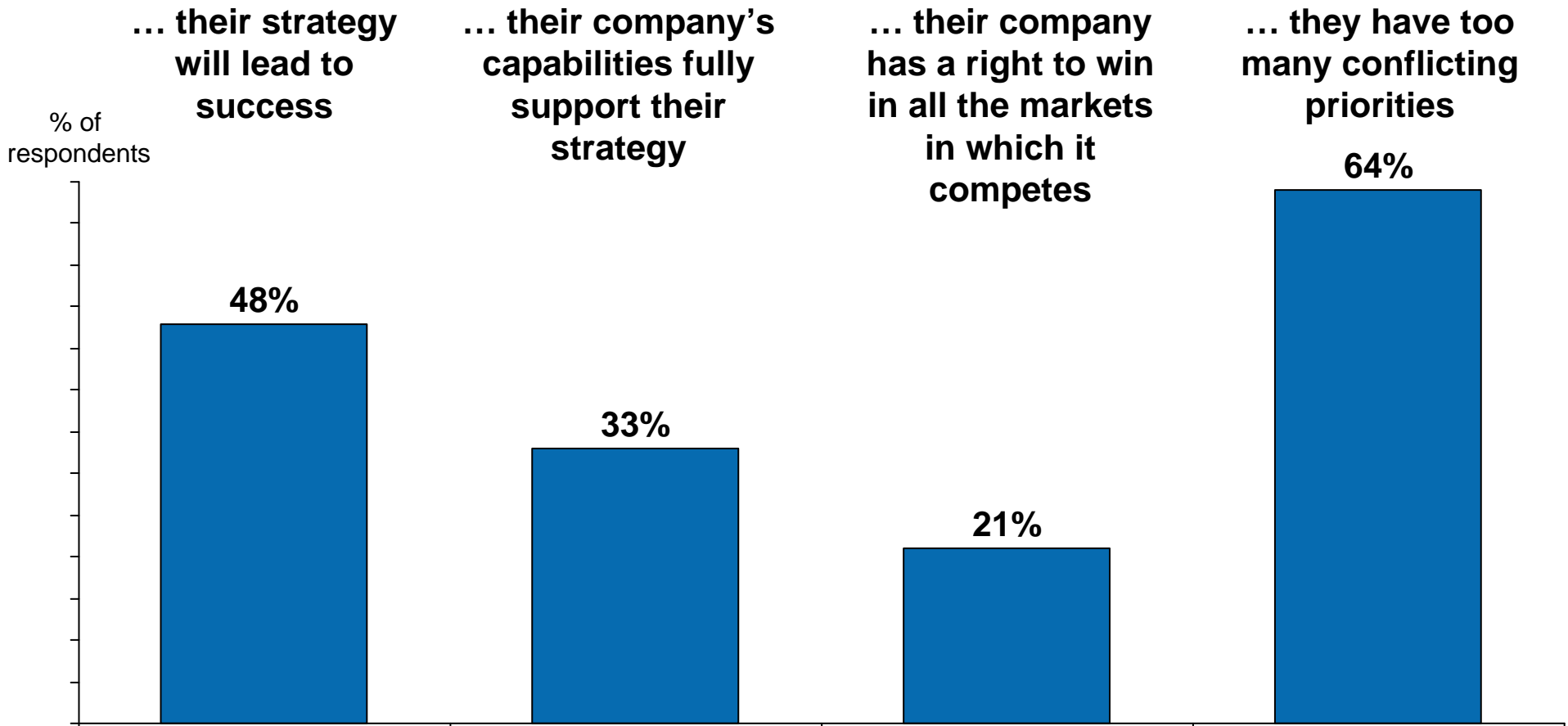


“Operational effectiveness ... means performing similar activities *better* than rivals perform them....In contrast, strategic positioning means performing *different* activities from rivals’ or performing similar activities in *different ways*.”

Source: Porter M. (1996) 'What is strategy?' *Harvard Business Review*, Nov/Dec

Executives, pulled in too many directions, say strategies are not clearly defined or likely enough to succeed

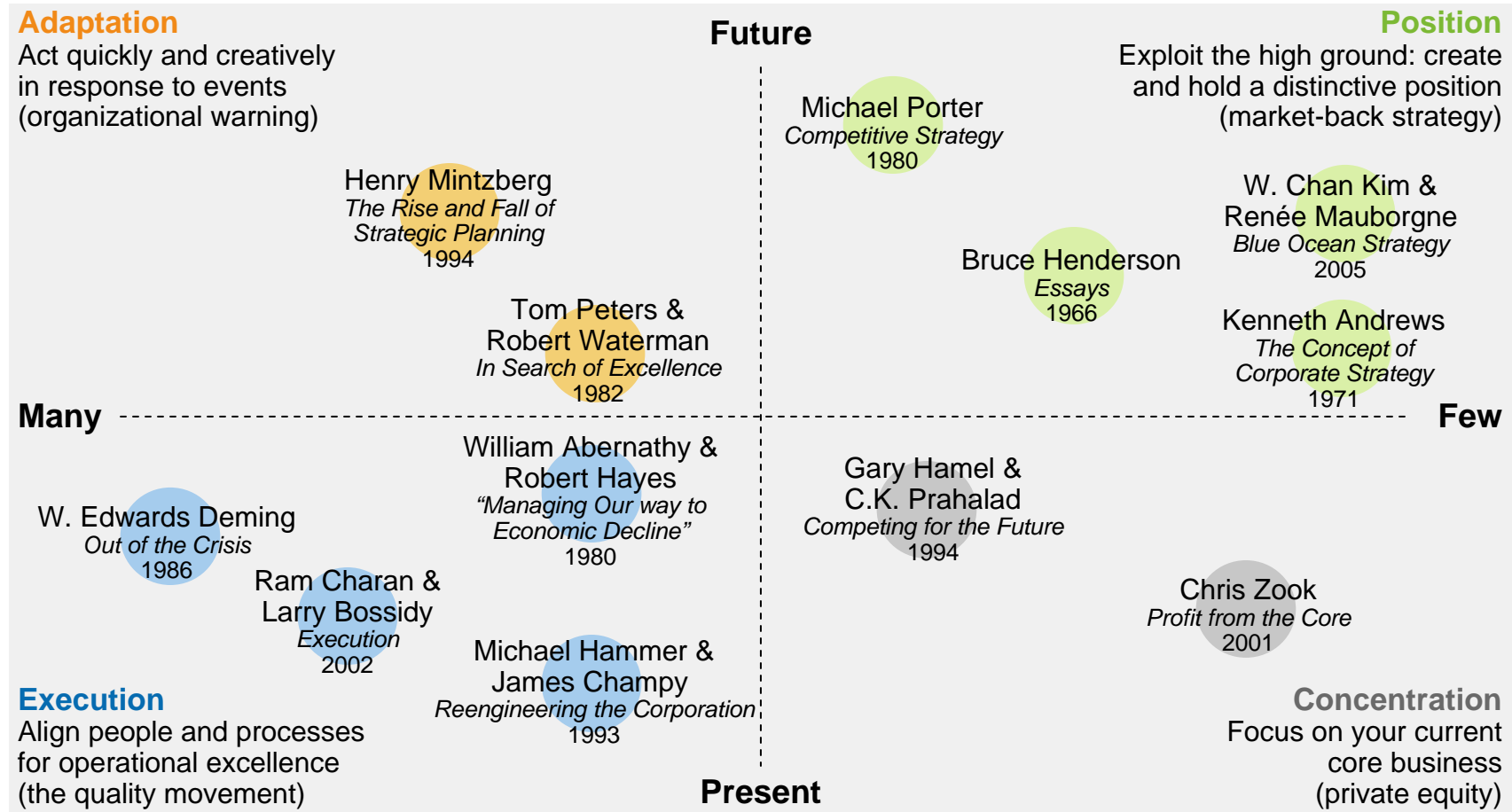
Booz & Company survey of 1,800 execs shows they believe ...



Source: Booz & Company Coherence Profiler; Status: January 12 2011

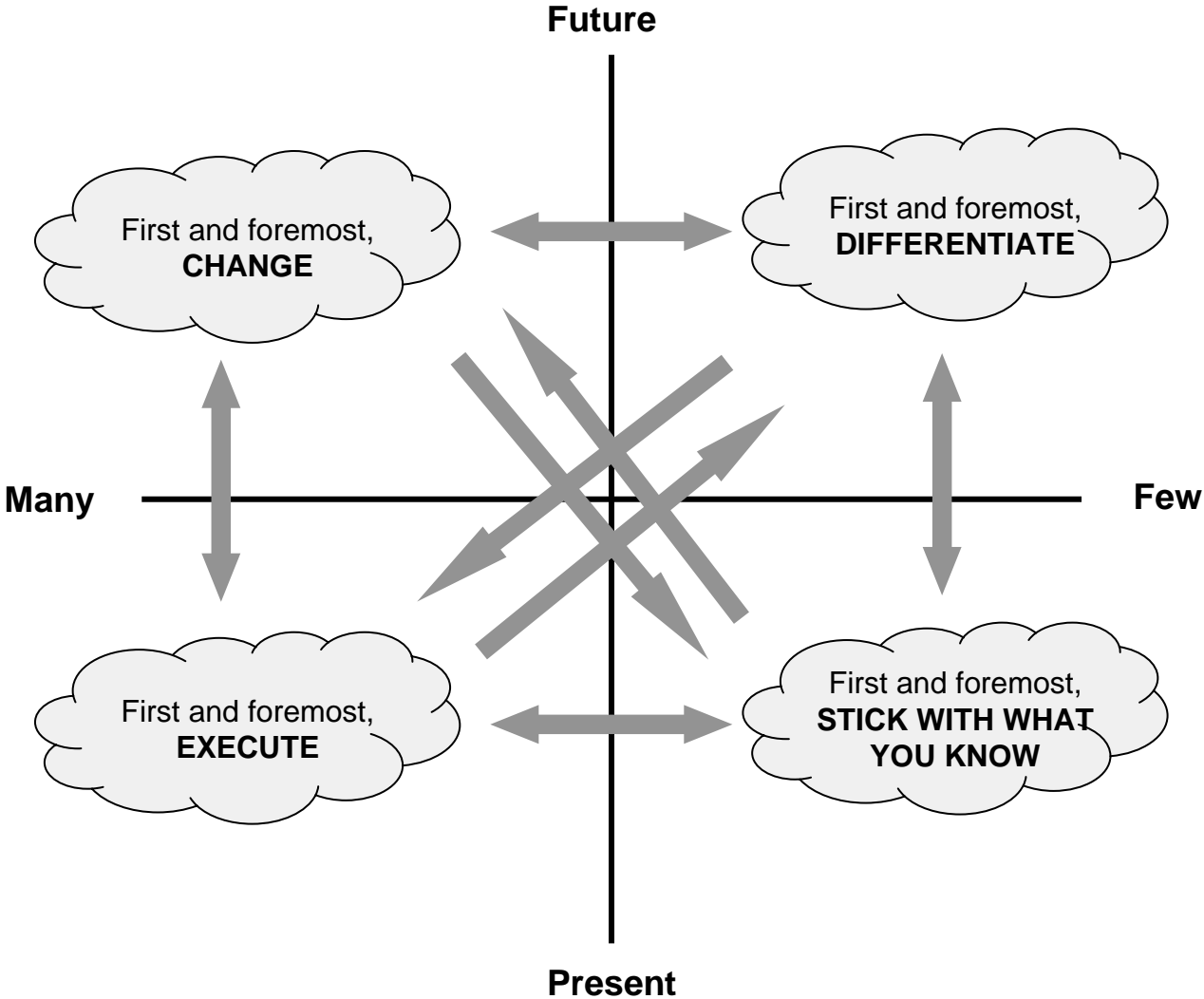
Why is it that with so many available strategy frameworks many companies still struggle with sustained value creation?

Evolution of Strategy



Source: The Right to Win, by Cesare Mainardi and Art Kleiner, published in *strategy+business* (issue 61)

Strategy in a single slide



The essential strategic choice is about the identity of a firm ... not these second-order debates

From struggling with push-me, pull-me tensions ...

- Strategic thinking often centers on tensions between long term vs. short term, and many vs. few
- Leaders tend to "yin and yang" between these tensions over time in a point/counter-point fashion
- The inescapable truth is that (a) advantage is transient but (b) companies are sticky
- There is no "winner" between these tensions, only a resolution of them at a higher level



To seeking the answers to three sets of questions

- Positioning questions:
 - How are we going to create value for our customers?
 - How do we position ourselves vis a vis competitors?
 - Where will we play and where not?
- Resource questions:
 - What intellectual, financial, tangible, and tangible capabilities and assets can or should we deploy?
 - Do we build, buy, or rent them?
 - Which matter most?
- Market questions:
 - What do we sell, and to whom?
 - What's our portfolio of offerings--what business lines, what products, what services?

Coherence confers the right to win

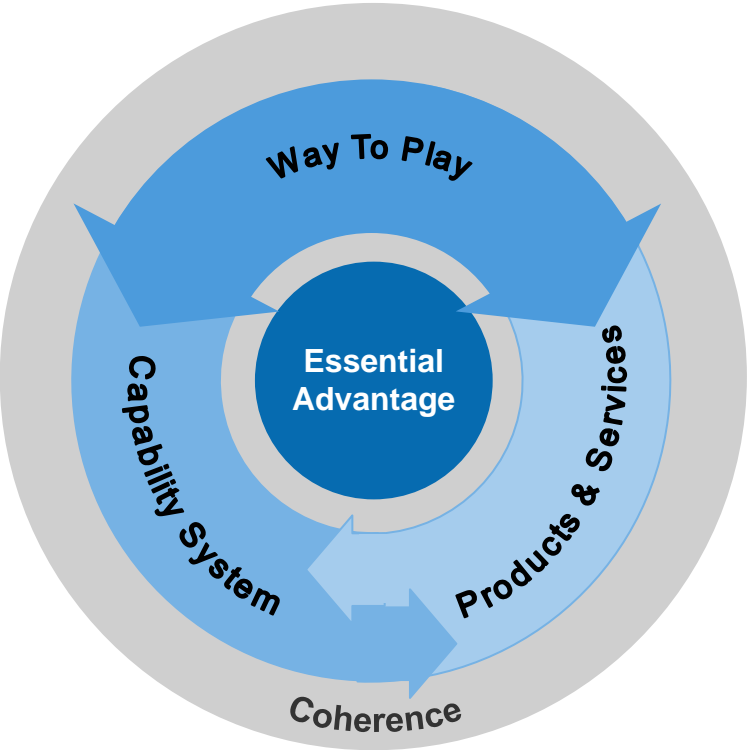
The Power Of Coherence

A coherent company strikes a balance where the right product and service portfolio naturally thrives within a capabilities system consciously chosen and implemented to support a deliberate way to play

HOW WILL WE
CREATE VALUE FOR
OUR CUSTOMERS/
MEMBERS?

WHAT MUST WE DO
WELL TO DELIVER
THAT VALUE
PROPOSITION?

WHAT ARE WE
GOING TO DELIVER
TO WHOM?



Trouble comes when the answers to these questions are inconsistent with each other



Why do coherent choices create value?



Effectiveness

- Focus and dedication on creating a winning capabilities system in your way to play
- Barriers for competitors who are less coherent, with less effective capabilities
- Ongoing improvement engine for the few capabilities that matter



Efficiency

- Highlighting of what is non-essential through clarity on way to play
- Less spend on those capabilities that are non-differentiating
- Capability scale through focus and often ability to deploy more broadly



Focused Investment

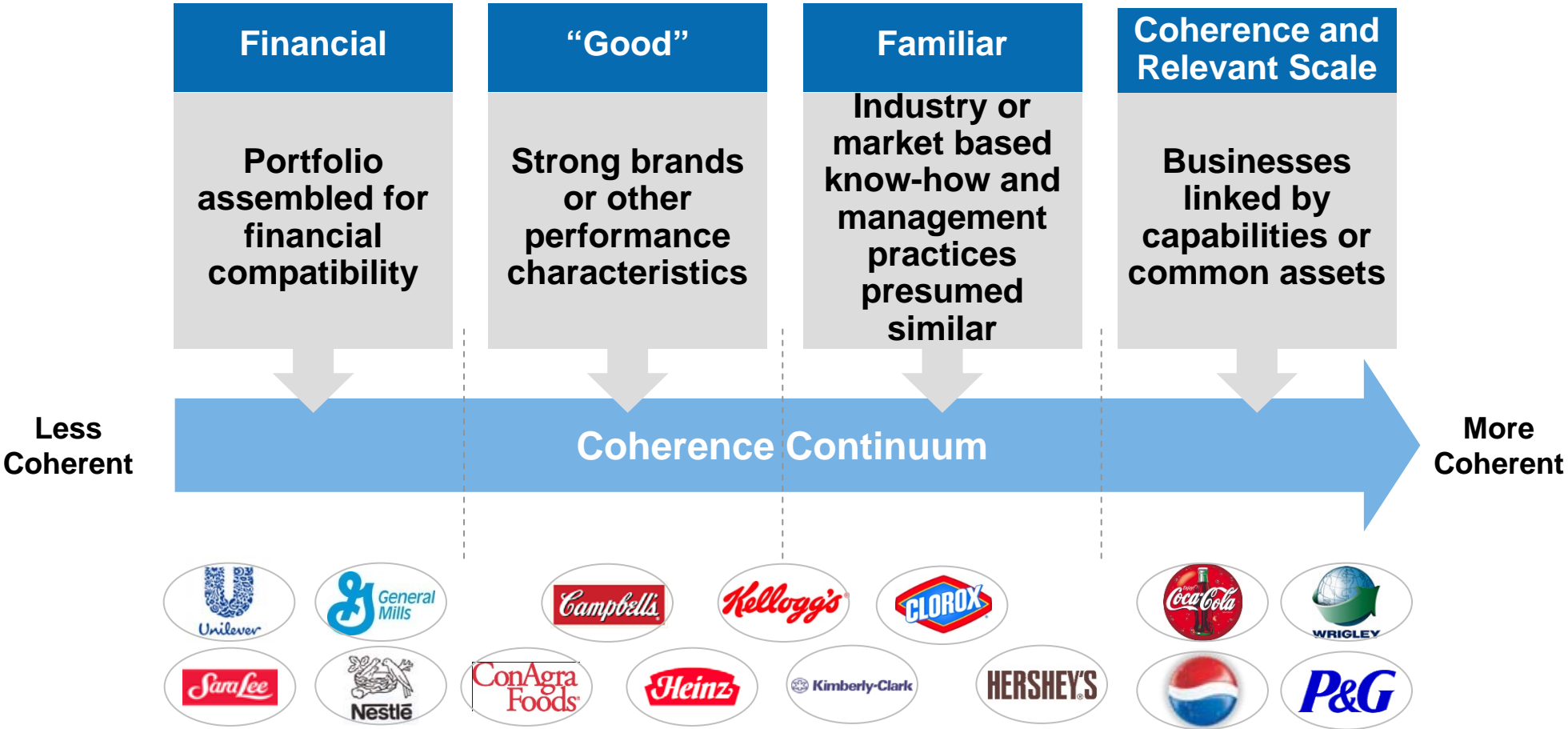
- Provision of objective for the enterprise – the value behind the portfolio
- Direction of capital and attention to those opportunities that extend a capabilities lead
- Guide for both organic growth and M&A decisions



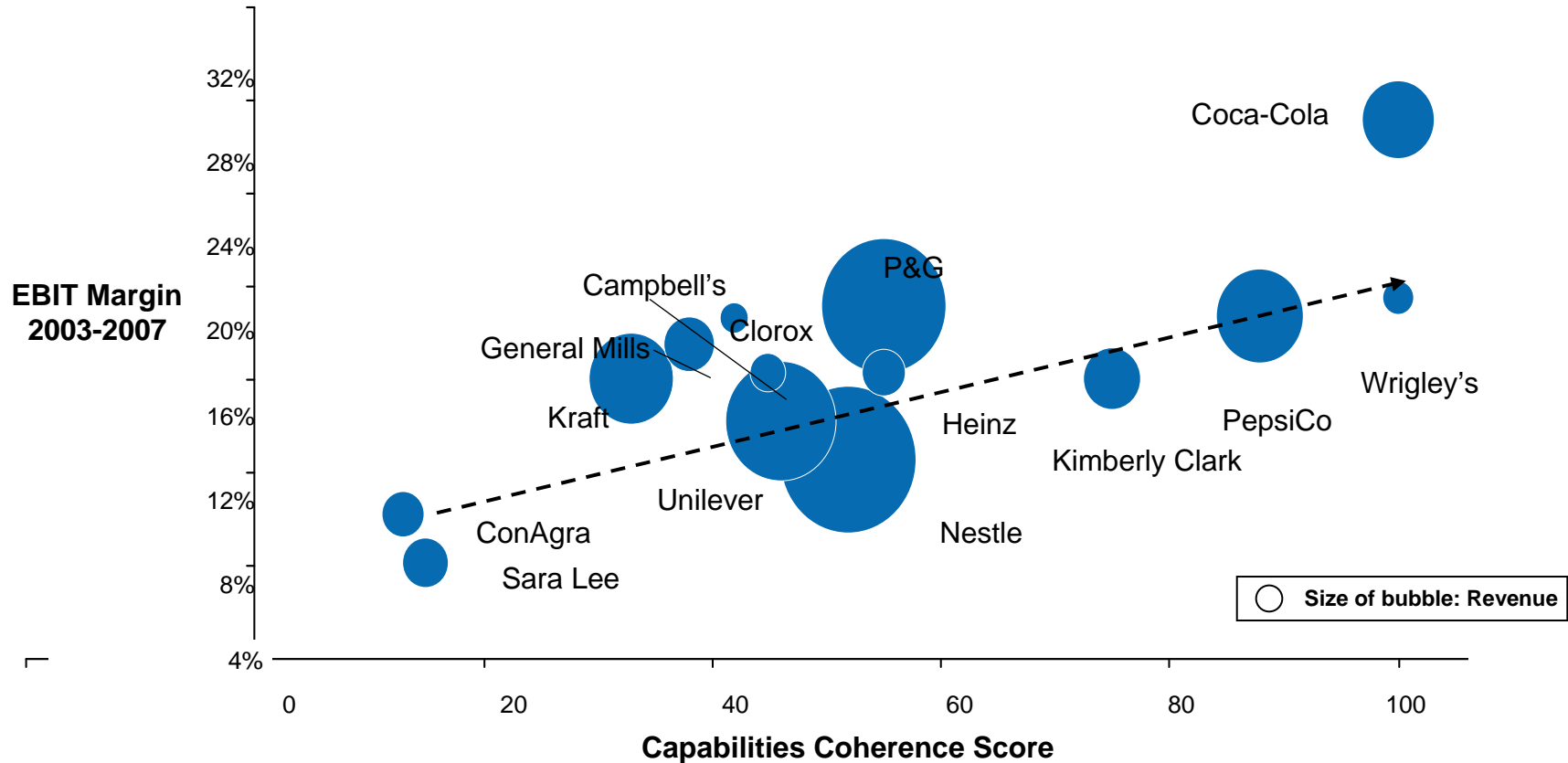
Alignment

- Alignment of strategic intent and day-to-day decision making thanks to capabilities lens
- Organization moving in lockstep and executing faster and with more force
- Talent attraction to organizations that clearly value what they do

Coherence ...



...pays



Degree to which a company leverages a common set of capabilities across its different businesses

Sources: Booz & Company; Capital IQ, Bloomberg, 2007 NVES Survey

Capabilities must be mutually reinforcing and integrated into a system that best supports a chosen way to play

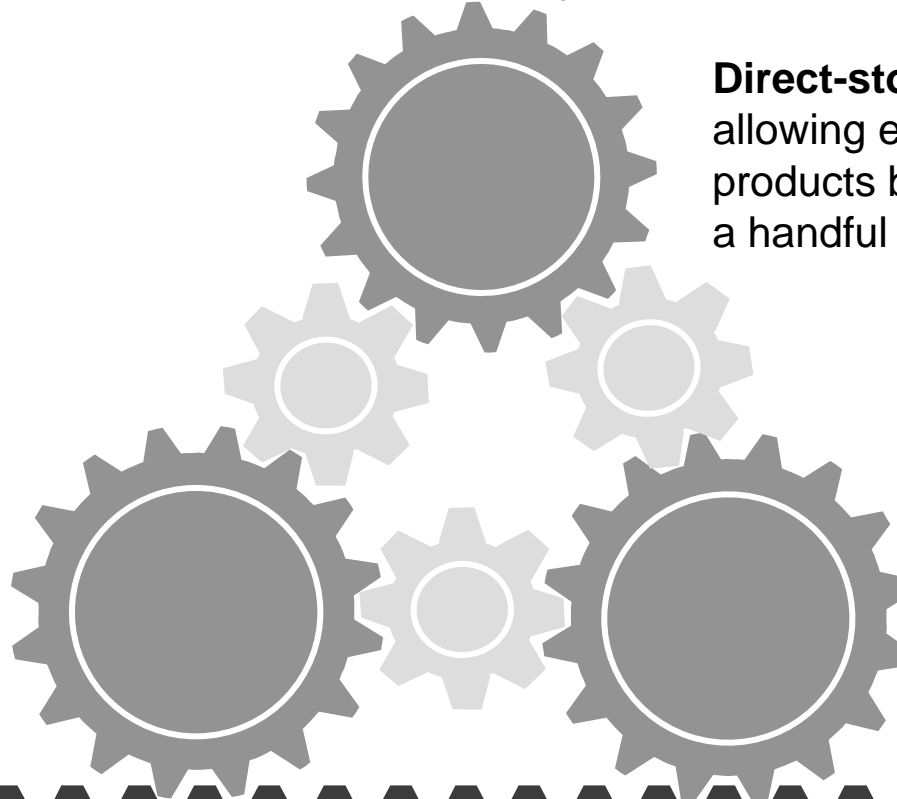


Example: The Pepsi-Frito Lay Capabilities System

Direct-store delivery (DSD) allowing easy testing of new products by introducing them in a handful of stores

Continuous innovation of new products with store level response information going directly to R&D

Skilful global consumer marketing to rapidly build demand for initially successful products



Way to Play

Rapid innovation, distribution and marketing to stimulate and meet customer snacking needs

Associations face special challenges in pursuing strategic coherence

- If an association exists to serve its members, who calls the shots?
- How do you measure success?
- Does the association exist to lead its members (an executive model), represent them (a legislative model), or resolve tensions between them (a judicial model)?
- What capabilities can an association uniquely provide, and what funding mechanisms exist to support them? How much control does the association have over its resources?
- How can an association say “No” to the idiosyncratic ideas of a major donor or member?

A starting point: Is our strategy coherent?

The Coherence Test

	Can We State It?	Do We Live It?
Way to Play	<ul style="list-style-type: none"> Are we clear about how we choose to create value for our members? 	<ul style="list-style-type: none"> Are we investing in the capabilities that really matter to our way to play?
Capabilities System	<ul style="list-style-type: none"> Can we articulate the three to six capabilities that describe what we do uniquely better than anyone else? Have we defined how they work together in a system? Do our strategy documents reflect this? 	<ul style="list-style-type: none"> Do all our service offerings draw on this superior capabilities system? Do our organizational structure and operating model support and leverage it? Does our performance management system reinforce it?
Product & Service Fit	<ul style="list-style-type: none"> Have we specified our product and service “sweet spot”? Do we understand how to leverage the capabilities system in new or unexpected arenas? 	<ul style="list-style-type: none"> Do most of the products and services we offer fit with our capabilities system? Are new products and acquisitions evaluated on the basis of their fit with the way to play and capabilities system?
Coherence	<ul style="list-style-type: none"> Can everyone in the organization articulate our differentiating capabilities? Is our association’s leadership reinforcing these capabilities? 	<ul style="list-style-type: none"> Do we have a right to win in our chosen field? Do all of our decisions add to our coherence, or do some of them push us toward incoherence?

How strategically coherent is your association?

Especially for digitalNow participants, take the
Booz & Company Coherence Profiler

www.booz.com/coherence-profiler-associations



Aggregate results will be collated, analyzed, and shared
after the conference