Riding the Change Where It Matters

By Nadia Whittley & Valentina Vassilev

> *"The only thing that is constant is change"*
> Heraclitus (535 BCE – 475 BCE)

The idea of constant change isn't new. In fact, it's ancient. But advances in technology and the doubling of available information every two years make the environment we in which we operate change even more rapidly than the ancients could ever have imagined. At the same time, however, more and more tools are readily available to forecast, track, and manage that change. Yet, our observations from more than 30 years of work with large multinationals as well as smaller organizations, demonstrate that more often than not, companies remain unsuccessful in their attempts to successfully manage the full cycle of change for the following reasons:

- Companies continue to have blind spots about their own organization and the industry at large, so they may miss vital patterns that cost their business.
- Executives have "silo" thinking within a given industry, market, and geography, which makes them ignore important opportunities in potential new markets or seemingly unrelated sectors.
- Not all departments are created equal. Very often, vital functional areas trail 20 years behind others simply because they are not viewed as critical to business (e.g., HR, customer service, and even production).
- Strategy definitions and the business of carrying out change is confined to a small circle of confidants rather than an exercise that is inclusive, creative, and open to feedback from stakeholders at all levels of the organization. This often results in strategy execution failures and widens the gap between management and employees, causing general distrust of any change.
- Change does not stick. After the initial adrenalin rush of corporate initiatives, few survive long enough to bring sustainable results.
- The revenue and cost sides of business live separate lives, and few strategies are designed to consider both. Not too many companies can boast technology breakthroughs. Most adopt the "me too" approach to market positioning as the fear of failure looms large, driven by the pressure of quarterly sales reports and annual performance reviews/bonuses. *Simply put: There are more sticks than carrots for the brave of heart in most managerial layers across industries.*

The list is long, but the picture is clear: Many companies are completely nonstrategic and shortsighted in designing and executing their strategies. They fail not only to adapt to changing environments but are unwilling or unable to foresee environmental patterns and trends and proactively implement the necessary change from within.

Go-To-Market Strategy: Why Getting This Right Will Put Your Company in the Driver's Seat of Change

The constant pressure to increase the demand, to find another client segment, to meet another unmet need (or to create one), to find a more creative delivery method and more forces companies to find new strategic ways to manage change. In our experience, one of the most essential areas that requires periodic refining to drive change—and not be driven by it—is the Go-To-Market (GTM) strategy. A GTM strategy in its simplest form tries to define three main elements:

1. What is the Unique Value Proposition (UVP) of a company and its product line(s)?
2. What is the target market(s)?
3. What is the mechanism by which the UVP will be delivered to the target market(s)?

Based on these findings, executives make strategic choices to invest in markets and solutions that will ensure the health and well-being of the business. That is, until another revision is made, necessitated by new trends and conditions. Therefore, the process becomes iterative, with frequent feedback from the market and periodic revisions of strategy and execution.

Before You Begin, or How to Set Your Ducks in a Row?

Defining your company' standard GTM strategy should be a mindful exercise. It has a very clear objective and utilizes recognized methodology. Often this exercise is undermined by the urge to confirm a pre-existing executive gut feeling.

Perhaps the best way to start this endeavor is by asking a few strategic questions to frame the status quo and to put the important trends that will influence your business going forward in perspective. By starting this way, you can see well beyond the latest sales and profit numbers and discern patterns that may not be clearly visible, especially if your bottom line is still healthy.

Once you identify the environment and its threats, it may be good to agree **to what extent you are free to explore "blue skies".** Some may prefer a more conservative approach where GTM strategies are more tactical; others may be excited to see the vast array of opportunities and investment alternatives and costs before making decisions.

After you are aligned on a macro level, there are a **number of specific questions** you try to answer and a **list of unknowns** you need to evaluate:

- What product lines you are exploring and why?
- What geographies you are exploring and why?
- How are you truly positioned (in the customer's eyes) in the market against other product options today?
- What is the true need your product/service tries to answer? Does it really achieve that?
- What is the optimal product portfolio for that target customer?
- How will you deliver the product – sales channels, distribution networks, and partnerships?
- What is the price you can charge for your products for different customers? What is the expected margin?
- What is the promotion strategy for the different segments?
- What is the impact on costs?
- What core competencies and capabilities are needed to succeed?

To derive a well-rounded, well-informed GTM strategy that targets all the appropriate stakeholders in the marketplace, a company will **include in the exercise all core departments in a true 360-degree fashion** from top management to sales associates. As well, there needs to be a core team and owner of this exploration and exercise.

Know Thyself, Before You Can Explore Beyond

Any true exploration of external possibilities goes hand in hand with an honest look within your organization. You need to probe and define your **core competencies**, your **capabilities** (see below), and then determine what is missing to prepare for redefining the GTM strategy adequately.

To discover core competencies, we examine three different aspects. Core competencies, unlike general capabilities, share three main qualities:

1. **They are valuable and relevant:** A competence gives your customer something that strongly influences him or her to choose your product or service over a plethora of other options. Only then would that competence impact your com-

petitive position.

2. **They are difficult to imitate/are unique:** The ability to provide a product/service that is far better than those of the competition and working continuously to improve those skills enables you to maintain competitive positioning.

3. **They are scalable/widely applicable:** Competencies (and the internal capabilities to deliver them) can open a number of different markets rather than small/niche ones. Success in very small market will not sustain growth.

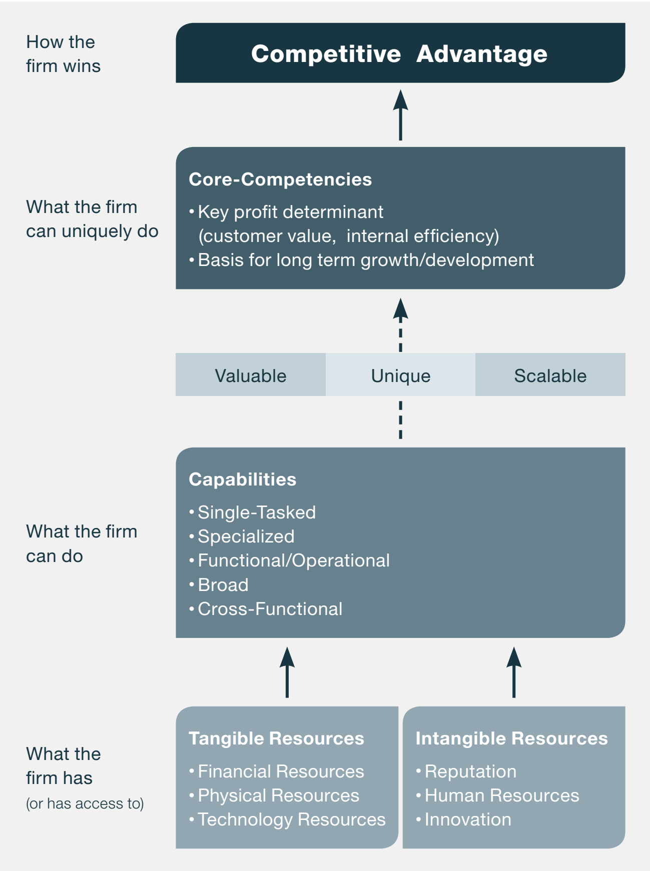

Figure 1. Definition of core competencies

Examples of core competencies:

- Apple's product design process
- Honda's small engine design and manufacturing
- Sony's miniaturization
- Federal Express's logistics and customer service

Once current core competencies and capabilities are defined, some time should be spent on defining areas where you fall behind. Whether it is customer service or quality assurance, talent retention or product innovation, being mindful of what the company is not good at will come into play when assessing strategic alternatives, the ability to execute and sustain them, and the necessary investments. Once again, having managers from all departments around the discussion table will ensure that all strengths and weaknesses are thought about objectively.

An additional assessment that is good to perform at this early stage is a **change readiness assessment**. It puts together an inventory of skills, processes, and training available in the organization that would enable or inhibit successful change management.

Now that you have taken a good 360-degree view inside the organization, you can venture and look outside, far beyond what you know to be your current market, because, to quote Henry Ford, "If I had asked people what they wanted, they would have said faster horses."

But how do you do that? What are the mechanics of exploration? How do you explore what you may not know?

Using Blue Ocean to Avoid "Boiling the Ocean"

When embarking on a GTM exploration, it is very important to choose a methodology that will enable you to do two seemingly irreconcilable things: to be comprehensive, thorough, and attentive to detail while taking a bird's eye view that is creative and imaginative enough to allow for constructing brave possibilities.

There are many ways to go about it, many ready-to-use structures to guide the process (e.g., Porter's five forces analysis, the 4 C's, the 4 P's, and more). The methodology we have found to achieve the set goals of most GTM exercises is a **combination of standard market analysis and the utilization of the Blue Ocean Strategy (BOS) framework**, an innovative managerial approach developed by Prof. W. Chan Kim and Renee Mauborgne (https://www.blueoceanstrategy.com/).

As described in their book, Blue Ocean Strategy, the axiom is to stop competing in overcrowded industries, where companies try to outperform rivals to grab bigger slices of existing demand, profits and prospects shrink, and products become commoditized. On the contrary, they recommend inventing and exploiting new demand, generating handsome profits, speedy growth, and long-lasting brand equity. Therefore, this strategy provides a new way to make competition irrelevant, which is far from the classical view of Porter's five forces analysis for shaping business strategy. In Porter's approach, to skillfully face competitors in an industry, a firm needs to analyze the industry's underlying economic structure, choose a strategic position that will focus the organization, and to try to beat the benchmark.

Kim and Mauborgne enclose these actions in what they define as a "red ocean strategy". In red oceans, firms compete within existing market spaces, exploiting existing demands and following the value-cost trade-off (i.e., creating greater value to customers at a higher cost), while in blue oceans, companies try to create an uncontested new market space, stimulating and capturing new demand (hidden or even not yet existing), breaking the value-cost trade-off (i.e., seeking greater value for customers and lowering cost simultaneously), and creating powerful leaps in value both for the companies and for its customers.

Value innovation is the cornerstone of BOS: It places equal emphasis on value and innovation. It starts with two basic facts:

- Improving value without innovating is not sufficient to make you stand out in the marketplace.
- Innovating without improving value brings products to market that buyers are not yet ready to accept and pay for.

Value innovation (Figure 2) challenges one of the most commonly accepted dogmas of competition-based strategy: the value-cost trade off.

In the classic approach, strategy is seen as choosing between differentiation and low cost. BOS pursues differentiation and low cost simultaneously. In attaining both goals, it's necessary to work over the value curve of a given product: Cost savings are achieved by eliminating or reducing efforts made on factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered.

The BOS methodology guides firms through a series of steps that allows them to understand their current position, develop high-potential ideas, design the right business processes, and implement the new strategy. This set of actions is embedded in a three-phase process:

1. During the first phase, "Creativity and innovation", several blue ocean tools are applied to illustrate the strategic situation, generate innovative ideas, reshape the value curve and structure, and test the new strategy.

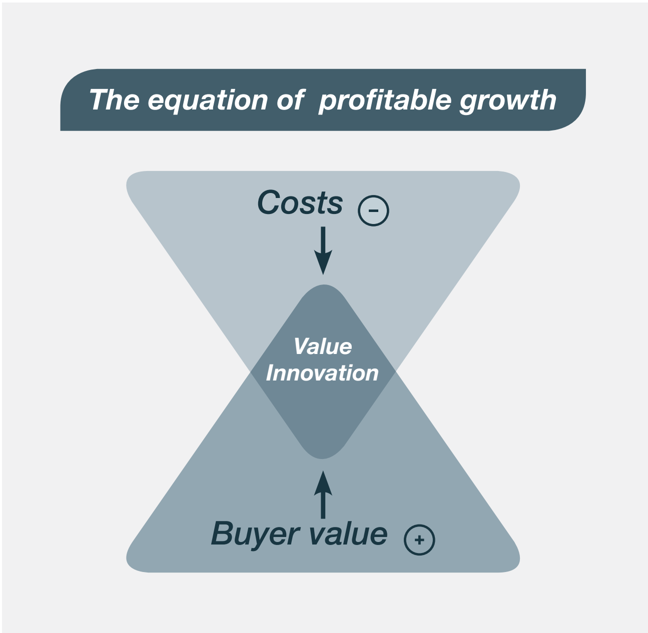

Figure 2. Value Innovation

2. The second phase, "Rationalization and selection process," organizes the ideas identified in the first phase for further development in a business process. The competencies needed and the investments required are forecasted in a business plan.
3. The third phase, "Implementation," launches the investments, supported by actions to educate management of the imminent change and to carefully program management tasks.

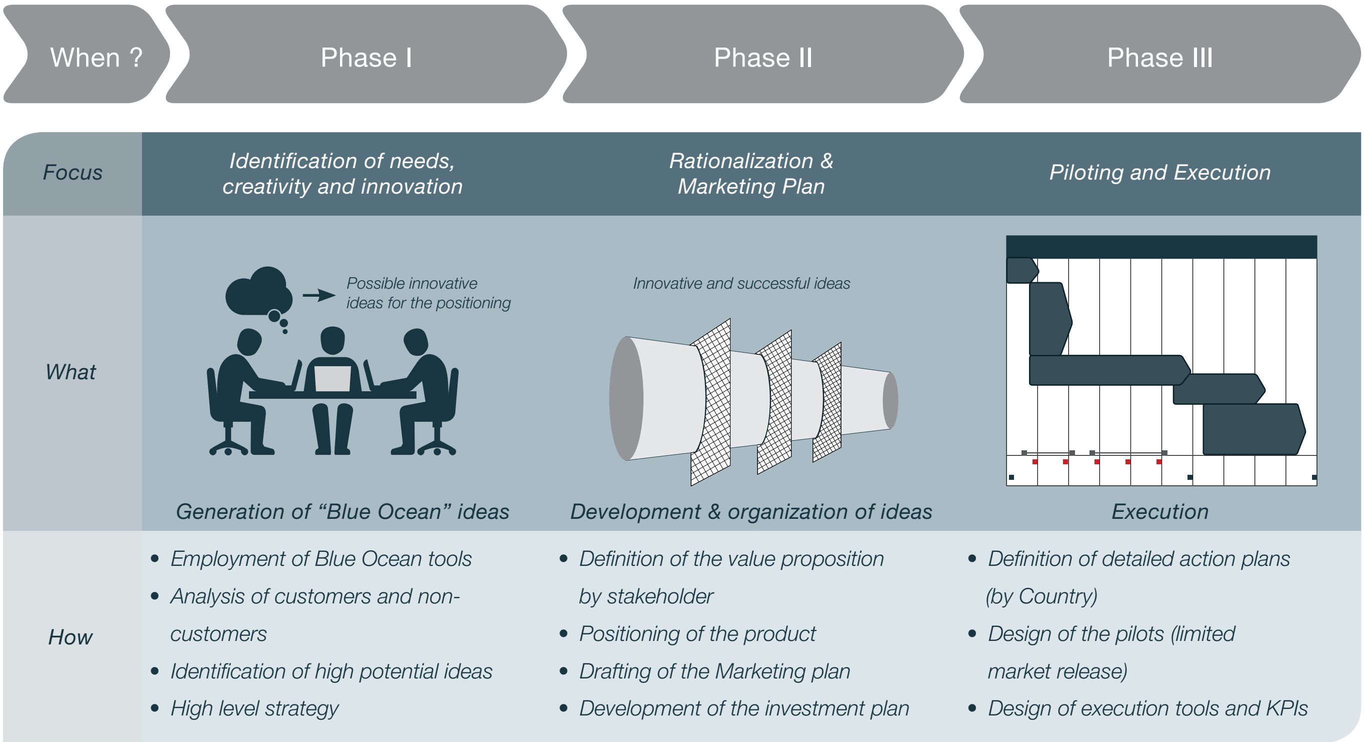

Figure 3. The BOS methodology

Creativity and Innovation Tools

Robust methodologies, strategic experience, and strong implementation capabilities are three powerful elements to consider when reviewing your GTM strategy and when taking your company through change. Often they are present within the company itself; however, one or more element should be brought in to support existing internal capabilities. What might seem like a superfluous investment today could make all the difference in your company's performance tomorrow.

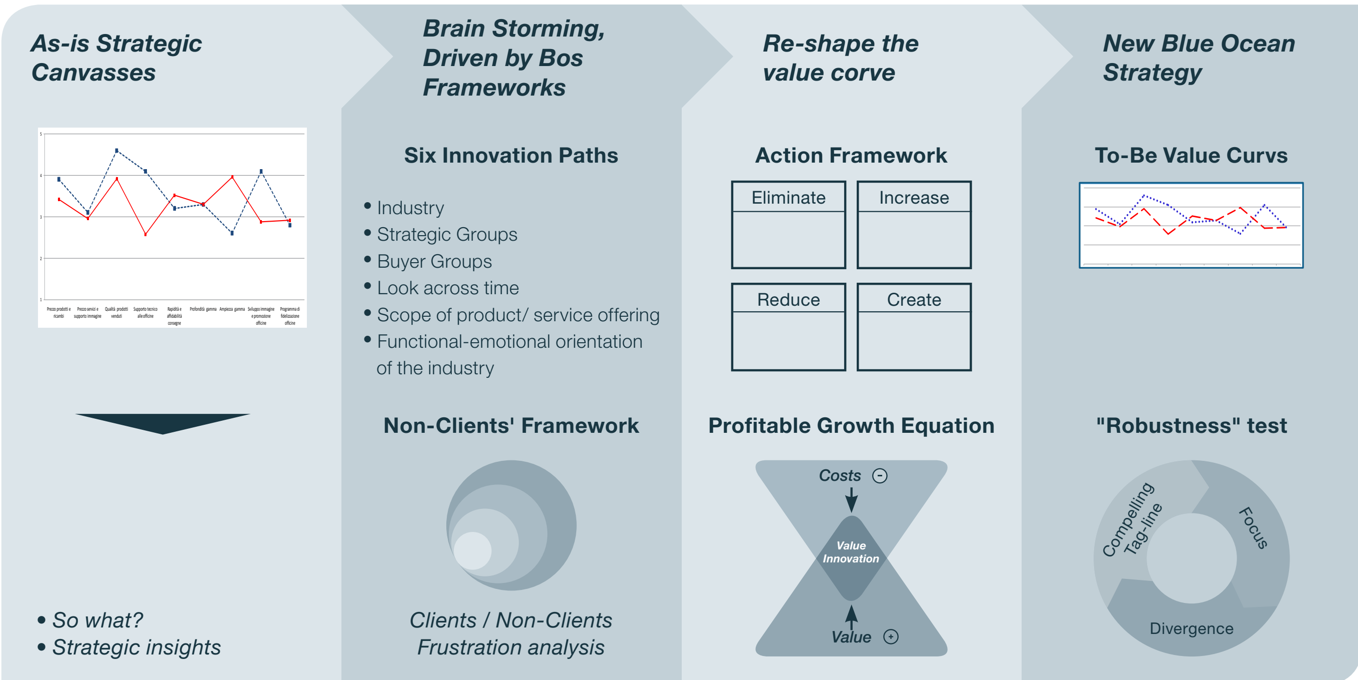

Figure 4. Practical blue ocean tools

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