

A Guide to Writing an Effective Strategy

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Introduction

Many Small Medium Businesses (SMBs) or Business Units within large companies lack a clear and comprehensive strategy that allows them to focus on the key priorities for future growth. There are many reasons for this to happen, but the main ones include: lack of strategic experience to plan ahead, preference to focus on fixing ongoing operational issues, impatience and lack of belief in the long-term benefits of current actions. We don't mention lack of time on purpose, as it is often an excuse from founders and directors not to engage in the vision planning.

In this document, we break down strategy creation into a simple guide to provide a starting point for executives to plan their activities. We focus on the 3-year plan and structure the sections in a way that mirrors a strategy document for the company. For each part, we specify the relevant content alongside suitable examples. This template is by far no means a fully developed strategy document, as we intend to provide a guide to starting the strategy work that then can be expanded based on the company's requirements. If the enterprise seeks further support, Demkovitz Consulting also offers bespoke strategy planning services as well as its implementation.

Document Objective

Each strategy document should start with an objective summarising the content of its body. It should state the planning horizon (typically 3 years), its performance ambition (e.g., grow revenue by XX% while maintaining the profitability) and corresponding growth areas that the company will focus on.

Performance Overview

For effective planning purposes, it's crucial to start by summarising the current performance. At the very least, this section should have a detailed last year's P&L narrative (with supporting data in appendices) and the YoY comparison of revenue, key costs and profitability. It would add further value, if the document could also show longer-term trends with insights and conclusions. In addition to the P&L performance, this section should analyse market share and industry benchmarking of the company in comparison to its competitors.

Strategic Focus: Growth vs Profitability

Following the evaluation, the company may set itself goals for the future. To simplify, the strategy usually balances between a focus on growth (revenue) or optimisation (profitability). In this section, the enterprise should set the focus area

for each of the years and set the targets for revenue, profitability and market share. To complete this exercise, the goals should be reasonable and with a rationale. In the later sections, the organisation breaks down how to achieve those objectives.

Revenue Drivers

We have identified five buckets (although the list is not conclusive) of strategic initiatives a company may want to focus on to drive growth. Each of the idea should be evaluated through cost/benefit analysis, projected return on investment and feasibility of implementation.

Customer Experience: This area focuses on programmes that make customers' lives easier when purchasing from the company. The initiatives may include improving the UI, introducing a subscribe and save option, instalment payments, or smarter product recommendations. In terms of brick-and-mortar retail, the projects may focus on turning shopping into a memorable experience to attract more attention and loyalty.

Channel strategy: A company needs to decide what channels to operate in based on their revenue and profitability. The options include retail (own brand stores or department stores), direct to customer, distributors, and various marketplaces. As each channel serves different customer target groups, this is a crucial consideration based on the marketing strategy.

Marketing activities: In addition to summarising the existing marketing tools and their effectiveness, the company should think about strategic activities that may have a long-term impact. Examples include a social educational campaign, flagship conference, starting content marketing through podcast.

Competitor gap analysis: Each company should be aware of how it compares to its competitors in the field regarding customer experience and offer. This may lead to inspire new innovations on behalf of the customers, especially if the gap exists in the key offering. We recommend benchmarking against three to five top players in each of the category in which the enterprise operates.

Selection and Pricing: In e-commerce, healthcare, FMCG and retail, the selection and pricing are core of the business. The company must evaluate in what segment it operates (premium, value, budget, mix) and whether its current portfolio and pricing addresses the customer needs. This section should also be used for evaluation whether to expand a product range and/or enter new categories.

Cost Drivers

In addition to considering growth opportunities, a business should evaluate optimisation projects to reduce or re-structure costs in the following five areas.

Production/purchasing: This section focuses on negotiating better production and purchasing cost prices or optimising the former process to become more efficient. The latter costs can be negotiated through numerous levers such as volume discounts or various rebates for longer ordering horizons, marketing rebates, or supply chain benefits for the suppliers.

Supply Chain: It is a very complex area in the companies, which usually implies opportunity for cost savings through simplification. The business should investigate the potential to improve efficiency of all its processes from transportation of goods, through receiving, storing, picking, prepping, packaging to the dispatching process. There is always a potential to perform the work with less resources, however, it may first require an investment which has to be carefully evaluated.

Headcount and salaries: One of the biggest costs in the SMBs is headcount. At Demkovitz Consulting we are convinced that people are the core of any business, however, we encourage the companies to maintain high talent bar and effective organisational structure, so that their people can achieve great results. When working on a strategy a business should evaluate whether teams have sufficient resources and people and whether there is optimisation opportunity, through for example moving responsibilities across departments or automating manual tasks.

Other overheads: This section is dedicated to identifying the key costs in the business that would generally fall under general administration and space management. It may include car fleet, office management, IT equipment. A company should review these items regularly to analyse cost saving opportunities, for example, negotiating laptop and smartphone supplier contract or changing the car fleet provider.

Technology: In this paragraph, the analysis should consider whether there is a technology stack that does not bring benefits to operations and what other costs can be reduced with the help of technology. Then, the investment and related cost savings should be evaluated to calculate if it's a strategic project with the long-term benefits. An example might be introduction of the ERP to standardise all

document processing and offline trackers that cost time and cause errors in an organisation.

Key Initiatives

Following the above consideration, this is a converging section where the company identifies the key 3-5 initiatives (across both revenue drivers and cost cutting) that it will implement in the next 3 years. The evaluation should consider the main strategic objective of the business for the planned period of time – growth or profitability. With this context, the analysis should support maximising the stated goal. For example, if the goal is to drive market share through revenue and a company can maintain its profitability, they are likely to choose investment in customer experience, channel strategy and product range expansion. At this stage, the initiatives should have a mini business plan with timeline, required resources, implementation plan and project benefits.

Scenario Planning: Risks and mitigation

As we operate in a rapidly changing business environment, companies need to be agile and adapt their strategy. That is why it is crucial to implement scenario planning as part of the strategies. This consists of the following parts.

Assumptions: Firstly, it is crucial to state and validate the assumptions made in planning the initiatives and forecasting their impact on the organisation.

Scenarios and actions: Secondly, a company should consider different scenarios when assumptions might break and plan contingency plans, i.e., what actions and directions the business would follow in case of different scenarios (prepare two or three alternative circumstances).

Monitoring and reporting mechanisms: Lastly, a business needs a reporting mechanism for the key KPIs. These define whether assumptions hold, or broke and which scenario should be pursued.

Hotly Debated Topics

This section is focused on evaluating the most important two trade-offs in the strategy that should be evaluated for future decision making. The consideration should include a) the explanation of why the topic is meaningful for the long-term success, b) the consideration of pros and cons of each solution, and c) the decision for the future. This saves time as difficult issues are predicted and the approach is agreed in advance. Good examples of the Hotly Debated Topics are: “Should we focus on expanding the product range in the current category or enter new types

of products?” or “Should we increase the level of investment into digital marketing at a cost of tradeshows to reach different customer segment?”.

Dogs That Are Not Barking

Inspired by the Sherlock Holmes story, dogs that are not barking mean suspicious and not immediately evident patterns indicating a risk. In this section, the leadership should critically consider information they might have not been paying attention to that may cause risk in the future, for example, a technology shift enabling a disrupting startup to challenge the industry.

Conclusion

Lastly, any strategy should have a summary of the above points with the list of key initiatives with their respective implementation horizon, required resources and expected benefits. The section should also state the critical milestones and resources that enable the success in the future.

FAQs and Appendices

Following the main body, it is a best practice to include approximately 7 to 10 FAQs, which are the answers to questions we know a board of directors and leadership would ask to learn more about the strategy. Examples include “What are the latest technology capabilities in task automation and how reliable are the current tools?”. Also, we recommend including 5 to 8 data tables supporting the above analysis as a reference to the strategic recommendations.