

Blog

A Short Guide to Strategy for Entrepreneurs

by Adam L. Lashinsky

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Summary: For the most successful entrepreneurs, strategy often comes in the form of a simple, straightforward, and easily repeatable process. The following guide offers a simple, step-by-step approach to the business model canvas and the business model canvas.

...that willing to buy a compelling product that customers will love. ...



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...and then figure out the business model once you've succeeded. It's ...
...that willing to buy a compelling product that customers ...

Today's most successful, well-run companies and great "disrupting" or newly great business, they are an alternative for their intended strategy.

Many entrepreneurs and business founders might come across the number of tools and frameworks -- from jobs to the blue ocean business model -- as a disruptive business model and industry focus, all while seeking their success, and so on. Each of these has value and can be the source of useful ideas, but each represents only part of what strategy can offer.

The challenge of strategy is to develop an integrated view of the workings of your business and how it creates and captures value within its operating environment. In other than finding alignment in one piece of the strategy puzzle, founders are best served by synthesizing information with the best minds of the field.

What's more, my academic research on strategy in the context of individual performance, mostly by data, machine learning, and text shows that it is only when business owners are applied that entrepreneurs can actually plan strategy. Today's strategy is not too complex, dynamic, and demanding to rely on general principles.

In a previous teaching strategy, most recently at Harvard Business School and Northwestern University, I have tried to offer the business-oriented explanation of an integrated view of strategy to combine the best of the many frameworks that exist, show how they relate to one another, and build the field in the essentials that entrepreneurs need to know to get started.

The published my notes in that effort is a handout page reading page, and I want you to read up the notes after here. Strategy is hard work, and there are no magic formulas. What I offer here is a starting point for your first questions that every successful business must answer. Entrepreneurs who design their business around these questions will have a leg up when it comes to crafting strategy.

To begin, you can check out your answers to these questions on a single index card.

Ask These Questions When Designing Your Business



What Value Do You Intend to Create, and for Whom?

Customers buy products and services because they perceive value in them. The first step toward a successful strategy is to clarify how you plan to create value, and for whom. That means defining who your customers are. That's the first block question on the index card above. What are you selling? Your customers may be defined by any number of attributes — age, geography, interests, the particular needs or use case they find themselves in, or any number of other

Step 1

The first step is to define your value proposition, the benefits, among other things, a customer will derive as a result of your product or service. That's the second question: "What are you offering?" This is an area of strategy that greatly overlaps with other fields such as design thinking, and there is a certain overlap with an earlier section of Entrepreneurship and practice you can refer to. Several questions to ask include: "What dimensions of a customer does your customer value - price, cost, convenience?" Is your dimension a core value? "What does the competition offer?" "What is it a party?" "What is it a word?" "Remember, it is usually not possible to be better than the competition in each and every dimension."

You can think of the value you intend to create as a combination of this as a position in a given market. Your position is defined by the combination of your customer value and your value proposition. The best imaginable position is to offer a product that is highly valued and demanded by customers and sufficiently unique so as to fully differentiate by competitors (even in the long run).

If you're not sure how to answer these first two questions, think about your customers and their preferences. What do they most value it, and what do they most hate it? For example, perhaps your customers value both variety and lower prices. How do you compare with competitors along these dimensions? Perhaps your value proposition is to offer the lowest possible price, but at the expense of the variety offered by your competitors.

How Do You Plan to Deliver That Value?

In plotting your position in the market, defining how you'll create

value and the others, you also need to define your operating model. The operating model is the set of choices and practices defining how to carry out the business. This will typically imply a set of trade-offs in trying to find a combination of activities that allows you to make all your promises — delivering unique dimensions of your value better than the competition.

The way to do most difficult of the questions listed above, about designing the operating model, comes writing out choices across the value categories that need to work together. A successful operating model is more than just “how you make money”; it’s a set of choices that together create more value than each would on its own. It’s about doing things that enhance each other, to create a whole that’s more valuable than the sum of its parts.

To get started, think about the steps to your value chain, and list out the practices that appear to distinguish your company. Then think about how these practices fit together. Where are there complementarities, where one activity is made more valuable by another? Finally, think about how these practices connect to the position you’ve described out. How do these complementary activities create value for your customer?

What is Your Competitive Advantage — The Source of Uniqueness?

The last question on the table card is perhaps the central question of strategy: “Why won’t you be copied?” Even if you’re delivering a great product that customers love and making money doing it, if competitors can easily enter the market and copy you, eventually they’ll squeeze that it drive your profits down to zero.

There are many sources of competitive advantage, but they can be roughly divided into two categories. Resource-based advantages are based on unique assets or capabilities that are valuable, rare, hard to imitate, durable, and specific to your organization. Position-based advantages involve your role and the position you occupy in your industry — things like scale and incumbency or network effects and entry costs. Think about the resources you have that would be harder for competitors to copy, as well as any advantages that your position confers. What would keep another company from replicating your operating model?

Understanding Customer Behavior

The questions I've outlined here are plenty of aspects of strategy design, from a look at the full scope for a complete business model. Nonetheless, they offer a starting point for understanding customer behavior in a place or market. Consider how incumbents might have answered these questions if it's a established platform, or the value and may look more complex than most. It has one value proposition for all users and another for providers and consumers. Its operating model emphasizes low costs and easy networking, which is how it creates value. Scale offers a competitive advantage in the form of network effects. The more users, the more value for the platform, the more valuable it is for everyone. On my other end you can see an example where I've described customer's behavior, along with other businesses. The next suggestion would be to examine customer's activities. It has a focus on the value it will provide, how to deliver, and why its model won't be easy to copy. In other words, it has a strategy.

The big limitation of this analysis is the fact that the dependent variable is a general level of competition, not a specific market and time horizon and technology change. As you design your business, whether from the ground up as an entrepreneur or by creating a spin-off operation, you'll need to go deeper into the field of strategy to expand your theory of how you create and capture value. You don't lose sight of the fundamental questions that underpin a business's success: offering products and services that customers want, selling them for more than they cost to deliver, and having some plausible means for why competitors can't easily copy you if it needs.

What is Strategy? is a concise analysis of entrepreneurship and business strategy.