



DESIGNING A STRATEGY FOR GROWTH:

Blueprinting in Six Steps

EXECUTIVE SUMMARY

Thoughtful strategy is a key ingredient for a company's success. Brands, products, supply chains, human capital – all are important. But strategy is the overarching blueprint that shows how resources should ultimately be invested. This paper answers three questions that can help clarify what strategy is and demonstrates how to put a smart strategy into action through six steps. Strategy is not a hard science, but it is a business art that can help you stand above your competition and achieve your goals in an efficient manner.

TABLE OF CONTENTS

Introduction.....	3
Case Study: Nike vs. Reebok.....	3
What is Strategy?.....	4
Where Can Strategy Exist?.....	4
How to Build a Smart Strategy?.....	5
Case Study: Berlin Packaging.....	7
Getting Started.....	7
Summary.....	8
About Berlin Packaging.....	9

INTRODUCTION

Consider the following business statistics:

- Walmart brings in more than \$1 billion in revenue per day.
- Southwest Airlines has a greater market capitalization than American Airlines or United Airlines (and almost every other airline, too).
- Microsoft dominates personal computer operating systems with 90% market share and \$62 billion in revenue in 2010.
- Apple has a smaller share of the PC market, but took in \$65 billion in revenue in 2010 thanks to its strength in hardware and entertainment.
- Kellogg's sells more than one-third of all cereal in the U.S.

All are examples of successful companies, and all have defined strategies that help guide their businesses. Indeed, thoughtful strategy is one key ingredient for a company's success. Brands, products, supply chains, human capital – all are important. But strategy is the overarching blueprint that shows how resources should ultimately be invested.

Strategy is often viewed as the responsibility of the executive suite or corner office. While final decisions may reside there, strategy should be neither mysterious nor elite. Everyone can understand the principles and building blocks of strategy. This paper reviews the fundamentals of strategy through three questions:

1. What is strategy?
2. Where can strategy exist?
3. How to build a smart strategy?

Before tackling these questions, we begin with an example that shows why strategy is so powerful.

CASE STUDY

NIKE VS. REEBOK

In 1990, Nike was a relatively small player in the footwear space. The company's annual revenues were \$2.2 billion, roughly the same as its archrival, Reebok.

By 2010, Nike's revenue exceeded \$19 billion (an average annual growth rate of 11%). In contrast, Reebok had stagnated, grown revenue to only \$3 billion, and had been bought five years earlier by Adidas for \$3.8 billion (while Nike was trading near \$20 billion). Nike's market capitalization in Q1 2011 was over \$40 billion.

Nike's success was governed by strategy at multiple levels. They had a fierce human-capital strategy – hiring people who took delight in crushing the competition. They also had a new way of looking at the marketplace. Nike's vision was to arm athletes

A large red square containing the white number "3", indicating the page number.

with the equipment they need for optimal performance. Nike saw “athletes” as anyone with a body (opening a broad market) and “equipment” as any kind of gear used in sport (expanding beyond its original shoe business). Nike also had rigorous brand and business-unit plans to get the most out of each investment.

Nike applied these strategies across sports – starting with their core running business. They built shoes for elite athletes, expanded to shoes for the masses, and then added apparel and equipment. Then they did the same thing in basketball, tennis, golf, soccer, etc. Reebok did not have such a robust plan.

Excellent execution was critical, but the playbook Nike used was the seed that started it all. Nike used strategy as a tool to win. (Reebok has noticed this and is busy rebuilding its strategy to ignite growth.)

WHAT IS STRATEGY?

A good strategy rationally defines the tradeoffs you will make to deliver the best return on scarce resources.

There are four clauses in this definition to call out for further explanation.

- “Rationally defines” – a strategy should be based on an objective fact base that ties back to the core drivers of advantage in an industry.
- “Tradeoffs” – a strategy should say what you will focus on, and what you will not. Describing what is out of scope is at least as important as saying what is in scope.
- “Best return” – a strategy should identify the metric that is being optimized, be it sales, profitability, market share, or something else.
- “Resources” – a strategy should be clear about the resources being allocated; knowing what is scarce and what is plentiful is an important part of the process.

If you have unlimited resources, you may not need a strategy; you could invest in any and all initiatives to meet your goals. All companies we encounter, however, have constraints of some type – people, cash, or time – so strategy plays an essential role in allocating these scarce resources.

WHERE CAN STRATEGY EXIST?

Strategy can operate at multiple, nested levels.

Corporate Strategy – What business should your company be in?

Nike decided their business was to serve the needs of the athlete by participating in the footwear, apparel, and equipment (and not yet the athlete nutrition or entertainment) markets.

The corporate strategy defines the playing field to be optimized, and it can be manifested in

priorities for organic growth as well as for mergers and acquisitions. Mistakes made at this level – casting the net too broadly or narrowly – can doom a company from the start.

Business Unit Strategy – How to drive the best return?

When looking at a business unit, brand, or branch (the basis of a P&L), what are all the ways to optimize the target metric? What are the most important ways? In the next section, we will review business unit strategy in more detail.

Functional Strategy – How can a person or a function most efficiently and effectively create results?

Given the corporate and business-unit strategies, what is the best role for each function (product development, marketing, sales, procurement, manufacturing, finance, human resources, IT)? Functional strategies should ultimately support the overarching business unit and corporate plans. Functional strategies often look at organization design, team capabilities, and drawing connections between jobs and actions and P&L levers.

All three of these strategic “levels” need to be aligned and in harmony.

HOW TO BUILD A SMART STRATEGY?

There are six steps to building a strategy.

STEP 1: BUSINESS DEFINITION

This step defines the right frame of reference for the overall strategy. What business are you actually in? Define your business too tightly and you may be surprised by a competitor or miss opportunities; define it too broadly and you may end up in situations that require very different skills to succeed. One way to approach business definition is to look at the overlap of cost structures, customers, and competitors across two opportunities. The greater the overlap, the more likely those two opportunities reside in the same business.

STEP 2: SITUATION ASSESSMENT

This step requires you to look externally and internally to diagnose your strengths and weaknesses. This fact base is the foundation on which to build your strategy. Some things to look at might be:

- Segmenting the market to find places for profitable growth
- Understanding where you are gaining or losing share and why
- Knowing your company’s capabilities, and those of your competitors
- Seeing where you’re profitable and where you’re not

It is particularly powerful if you can summarize this situation assessment against the criteria needed to succeed in the market (i.e., drivers of competitive advantage). For example, how do you stack up when considering the excellence of your brands, your products, your supply chain, and your people?

STEP 3: VISION AND TARGETS

This step represents the “what” of the plan. A vision is a statement of purpose that helps the



organization focus; it sets the context for addressing the most critical strategic issues of the business. For example, “we aim to become the preferred supplier to XYZ customers.” Targets are the tangible goals and metrics that relate back to the vision. Good targets should be balanced (financial, marketplace, people) and SMART (Significant, Measurable, Achievable, Relevant, and Time-bound).

STEP 4: PRIORITIZED STRATEGIES AND ACTIONS

This step represents the “how” of the plan, and this requires thought and iteration. The first element is to create a long list of potential actions and strategies. You might consider:

- What’s been working and what hasn’t
- Which customers/markets to target; where is the white space
- Best value proposition to distinguish you and where you are lacking
- Key processes, human capital, organization, and technology that lend advantage or are holding you back
- Internal improvements and also external (M&A) opportunities

Each strategy can support one or multiple targets. These ideas then need to be prioritized to fit the resources available and the importance of certain targets. Consider the value created by any given activity as well as the time and investment required.

STEP 5: IMPLEMENTATION PLANNING

This step is about building plans to drive execution; action plans include what is to be done, when it needs to be done (start/end, precedent/contingent activities), and who is involved and with what role. Implementation of the strategy should be tied explicitly to operating controls like budgets, management dashboards, and individual objectives. Most important is to move forward; it’s better to have the “80% correct” strategy implemented than the “100% correct” strategy not implemented at all.

STEP 6: TRACKING

Finally, strategy is an ever-evolving process that needs to be revisited and refined on a periodic basis. Having management dashboard metrics tied to strategic initiatives is an ante. Another good practice is for the business team to come together to talk about learnings and possible refinements. While it’s expected that strategy will evolve, you don’t want it changing radically too frequently. Crafting a thoughtful strategy in the beginning is important to keeping the organization engaged and aligned.

Taken together, these six steps help establish a strategy blueprint. While there are practices and details not covered here, this is an effective overarching framework for strategy creation. Companies intent on building the best strategy can use these steps as a starting point and can pull in experts to augment this process.

CASE STUDY

BERLIN PACKAGING

Berlin Packaging is a leading supplier of rigid packaging. Its strategy is to grow by building the best offering (products and services) and hiring the best people (to deliver the offering) in order to help its customers succeed. Indeed, Berlin Packaging's explicit mission is to *increase the net income of its customers*.

A key element of this strategy is the suite of services Berlin Packaging created to help customers grow sales, reduce expenses, and improve productivity. For example, the Studio One Eleven division provides structural package design, graphic design, and marketing services that help a company accelerate revenue growth. Berlin lowers its customers' expenses by managing their inventory. Berlin Financial Services can help improve productivity by loaning money at 0% interest to give customers a means to make capital investments. And the E3 division cuts across all of these with an array of consulting services that can help customers build strategic plans (as described in this paper), build best practices within functions, and improve asset utilization.

The fact that all of these services are offered at no charge, but in exchange for packaging business, makes this a powerful and differentiated strategy. As a consequence, Berlin Packaging has grown multiple times faster than the packaging industry as customers have been drawn to Berlin's approach and the "Anything is Possible" attitude that pervades the organization.

GETTING STARTED

Before starting to build a strategy, a few elements need to be in place. First, the organization and its leaders need to acknowledge the value of strategy and the need for smart focus. Second, there must be a scorecard that you wish to work against and optimize. Third, time and resources must be set aside to invest in the six steps outlined above.

With these requisites in place, you can then tackle the six steps to building a strategy. There are many consultants and business books to help you along. You can also look to your competitors and business partners for inspiration (competitors) or assistance (business partners).

SUMMARY

Building strategy need not be complex. But you should remember to:

- Appreciate the need to make tradeoffs and choices.
- Understand the levels of strategy – from Corporate, to Business Unit, to Functional.
- Follow the six steps to build your blueprint – from Business Definition through Tracking.

Having the right blueprint dramatically improves the odds you will be able to meet your goals and beat your competition. At the same time, strategy is a living process. Your customers change, your competition changes, your objectives may change, and you are regularly getting feedback about what is working and what is not. All of this helps refine and revise your strategy over time.

As we have seen with Nike, Southwest Airlines, and Apple: strategy is a critical tool. Use the tips in this paper to build momentum for your own strategic planning, and look to your partners and advisers for assistance to make strategy work for you.

ABOUT BERLIN PACKAGING

Berlin Packaging is North America's premier Hybrid Packaging Supplier of plastic, glass and metal containers and closures. With over 33,000 available SKUs, over 100 packaging consultants, and more than 80 sales and warehouse locations across North America, the company has the right products, expertise, and geographic proximity to help customers increase their net income through packaging products and services. Berlin Packaging supplies billions of containers and closures annually as well as warehousing and logistics services for customers of all sizes in all industries. It is the only company in its sector to be ISO 9001 certified, to have Customs-Trade Partnership Against Terrorism (C-TPAT) certification, and to achieve 99% on-time delivery of its shipments every month for over six years. Related services include Studio One Eleven, a full-service custom packaging and graphic design division; Berlin Global Packaging Group, a global sourcing solutions provider including custom packaging, order and quality management, and logistics; E3, a consulting division that helps customers unlock profit; Berlin Financial Services, which provides financing for equipment and capital improvements; Dangerous Goods, offering safe, economical, UN-certified packaging solutions for shipping dangerous and temperature-sensitive goods; Freund Container & Supply, a need-it-now packaging and industrial supplies provider with no minimum order requirements; and Qorpak, a global supplier of laboratory packaging and supplies. The company can be reached at 1-800-2-BERLIN, BerlinPackaging.com, and on LinkedIn and Twitter.