17 Business strategy development process

17.1 Overview

Step Four in the process of strategic planning is the definition, in parallel, of the various business strategies, based on the target market positions for each business determined in the previous step. In Step Three the approximate investment budgets for each business were also determined, and these budgets now represent the most important limiting conditions for the development of the business strategies. Chapter 13 emphasized that target market positions and planned investment budgets must be seen as provisional in character, as one possible outcome of the process of developing business strategies may be that the financial means available are shown to be insufficient for meeting the targets. If this happens, the corporate strategy has to be revised.

The various business strategies are normally developed simultaneously in parallel working groups. Where different business fields are involved, there is little need for dovetailing between them, but with business unit strategies, where the offers focus on the same market and/or where the same resources are used, very close coordination is required. There are two measures to guarantee this:

- A coordination tool is the corporate strategy: It specifies the target market positions of the businesses. Sometimes, it prescribes even the generic strategy and competitive advantages common to all the businesses.
- Regular coordination meetings must take place between the different groups working on the development of the various business unit strategies.

Developing a business strategy is a complex task, made more difficult by the need to produce and compare different options, in order to guarantee quality. The task is therefore best broken down into sub-steps, as shown in Figure 17.1. Loops in the process will often be required, and the most important of these is shown in the diagram with a thin arrow.
This chapter is organized as follows: Section 17.2 deals with the first sub-step, assessing the current business strategy, and the following section considers how to identify and assess options for the future generic business strategy and the target industry segments. These two sections draw on the methods introduced in Chapters 14 to 15, and are therefore relatively short. Section 17.4 takes a longer look at identifying and assessing options for competitive advantages, showing how networks of success potentials can be constructed and assessed. The chapter ends with the case of a watch manufacturer developing a business strategy.