

enlightenment) 2006 NO.1 ISSUE 1

Ever wonder what makes some companies succeed where others fail? Well, I believe I've cracked the code. In fact, I'm so sure that in 2005 I walked away from my career in Corporate America and bet the farm on my ability to help companies succeed. I established **enlight** to help clients combine **STRATEGY**, **STRUCTURE** and **EXECUTION** to create value for customers, employees and investors. In the following pages and future editions, we'll provide some enlightenment on these topics. This issue focuses on **STRATEGY**.

Enjoy!



Amy H. Fulford, PRESIDENT

inside)

LETTER | ESSENTIALS | *sign* OF THE TIMES | BOOK*shelf* | ABOUT AMY

There are three critical components of any successful business:

STRATEGY, STRUCTURE and EXECUTION. No company can achieve and maintain success without appropriate attention to each component and a deep understanding of their interdependencies.

The first step in positioning for long term success is to define the **Strategy**. The **Strategy** determines how the company creates value for customers over the long term, and as a result, forms the foundation for employee and investor value. Everything a business does – all decisions and actions – should be based on the **Strategy**. **Strategy** development starts by defining where the company aspires to fit in the grand scheme of its industry and customer base and gets more concrete as the company zeroes in on how it will create value for target customers. Think of **Strategy** as the “what” and the “why” of a business.

WHAT WILL THE BUSINESS BE WHEN IT GROWS UP?

Lewis Carroll wrote, “If you don’t know where you’re going, any road will get you there.” The wisdom in this quote is directly applicable to the corporate world. Companies need a clearly defined vision of success. Such a vision creates an identity that signals to customers what makes the company unique and provides employees with guidelines for how to contribute. A company’s long term vision answers questions such as: Which customers will we target? Which products and services will we offer? What differentiates us from competitors? How will we measure success?

WHY WILL CUSTOMERS CARE?

Regardless of the basis for customer value – ie providing the lowest cost product, the lowest cost in use or lifecycle cost, unprecedented customer service, etc – target customers must realize a tangible benefit from the company’s products or services. Fundamentally, there are two conditions that indicate whether or not customers truly care: **1)** they choose the company’s products or services over competitive offerings and **2)** they pay more for the products or services than it costs the company to produce them. A **Strategy** that does not succeed on these two fronts is worthless.

These concepts may seem basic, and, candidly, they are. It is unsettling how many businesses inadvertently neglect the fundamentals because they’re too busy putting out fires and “getting things done”. Others have reached a point where their current **Strategy** no longer delivers the results they desire and need to step back and reevaluate their approach. A third segment is on the brink of massive growth and change and must think about their business in a dramatically different way. And, of course, there are always those companies that seem to know exactly when and how to revise their **Strategy** to maximize the value they create for customers. Not surprisingly, going back to the fundamentals is the starting point for a company facing any of these situations.

As a general rule, the more effort invested in developing the **Strategy**, the more likely the business will succeed. At the same time, a sound, well planned **Strategy** is a necessary, but not sufficient, ingredient for success. Sustained business success results from the combination of a sound **Strategy** with an optimized **Structure** and disciplined **Execution**.

There are countless business books, and every day another drove hits the shelves. It’s virtually impossible to filter through all of them to determine which ones are actually worth the purchase price, much less a coveted chunk of your free time. We see it as our mission to help you hone in on the resources and tools that will be most valuable as you navigate your way to success.



Double-Digit Growth by Michael Treacy

Our first book review focuses on one nuance of Strategy development: relentless management discipline. Michael Treacy’s book *Double-Digit Growth* is a winner. Treacy’s research reveals that the companies that consistently outperform the market and deliver double digit growth do so with relentless discipline by thoughtfully and actively managing a balanced portfolio of growth strategies.

portfolio management approach with a healthy dose of relentless discipline. Treacy’s approach is to divide growth opportunities into different categories based on the skills, functions and actions required to realize them. Treacy defines the five categories of growth that companies face as follows: **1)** Customer Retention; **2)** Share Gain; **3)** Market Positioning; **4)** Adjacent-market Penetration; and **5)** New Lines of Business.

Treacy posits that any company in any industry can achieve sustained double digit growth by combining his growth

The genius in Treacy’s approach is that it breaks down corporate growth challenges into bite-sized portions that

A successful Strategy doesn't have to be complex, but it must be comprehensive, thoughtful, and establish a platform of value for customers, employees and investors. Customers must understand how they capture value that is superior to competitive offerings. For employees and investors, there is no opportunity to extract value unless the company first creates superior value for customers.

Through our experience, we've identified the key elements of a good **Strategy**.

Long-term Vision.

- Unbiased, focused definition of how the company will create value in the future
- Shared across entire leadership team and communicated to all employees

Target Customers & Channels.

- Description of ideal customers & how they will access the company's offerings
- Focuses sales and marketing on attracting and retaining the most attractive customers & partners

Value Proposition.

- Fact-driven definition of how the company creates value for target customers
- Creates the platform for sustainable, defensible competitive advantage

Business Model.

- Plan for **HOW** the company will generate revenue, manage costs and earn attractive returns
- Includes such decisions as make v. buy v. license and innovator v. follower v. commodity

Product & Brand Portfolio.

- Definition of products or services offered & how they will be positioned to attract customers
- May include multiple brands with distinct identities as well as related products within a brand

Financial Projections & Metrics.

- Model of expected financial results & outline of how and when success will be measured
- Provides clarity about priorities and expectations & ensures transparency of performance

We've also defined the **top 5** factors that indicate whether or not an approach embodies both the letter and the spirit of a good **Strategy**.

1

OBJECTIVITY

Encourage unbiased evaluation at all times; entertain a range of possible long-term scenarios and be open to creative or unexpected outcomes

2

RIGOR

Require fact-driven analysis of data, assumptions and hypotheses, combined with input from a variety of perspectives

3

CULTURE

Tap into the company's inherent culture, identity and skills, leveraging them as the foundation for inspiring employees, investors and customers with a sense of value

4

FOCUS

Embrace targeting customer segments, focusing all of the company's efforts and investments on those customers who are most likely to value (ie purchase) the products or services

5

LEADERSHIP

Continuously communicate priorities and expectations to align employees; set reasonable expectations for path & pace; designate an executive to steward Execution

employees can more easily grasp and execute against. It makes the challenge of growth more realistic and manageable. This is an incredibly valuable management skill, and Treacy puts the formula in readers' hands.

The bulk of the book utilizes case studies to illustrate the dos and don'ts of each growth challenge. The bottom line is that executives need to a) determine the ideal growth portfolio for their company and b) relentlessly manage that portfolio.

While the book is an invaluable resource, Treacy keeps the concepts vague and high-level, leaving readers with the question of how to measure and implement the concepts effectively.

The first step is to translate the concepts into reality for your business...

- What specific initiatives fit into each category?

- What unique skills are required to achieve success in each category?
- Where have we been successful in the past?
- Where have we failed?

Then you can start to answer more complex questions...

- Is our current growth portfolio appropriately balanced?
- What is the ideal growth portfolio for our business?
- How do we transform from our current portfolio to the ideal?
- How can we better manage execution to improve results?

Double Digit Growth: Read It. Internalize it. Practice it. Earn it.

Letter

FROM AMY

We live in a unique time in the evolution of business. As the world shrinks, companies of all types and sizes face both unprecedented opportunities and intense challenges. Borders are disappearing, timelines are shrinking and pressure is mounting. One thing is certain: It is no longer enough to have a sound business model, keep good people on staff and implement an aggressive cost cutting strategy.

At **enlight**, we know that a company's primary objective is to create superior value for customers, employees and investors. Customers are looking for value in the products and services they buy and in the relationships they maintain. Employees are looking for value in their professional success (compensation, career advancement and recognition) as well as the satisfaction and pride that comes from making a tangible contribution to the success of a company in which they believe. And, with the rapidly expanding array of investment opportunities, investor expectations for value creation are increasingly demanding. Executives must confront the effects of these harsh realities in the field, at the water cooler and in the boardroom.

enlight helps clients craft Strategy, optimize Structure and manage Execution to attack each of these challenges head on.

- **STRATEGY:** defines how value is created for customers and forms the basis for employee and investor value
- **STRUCTURE:** determines how value is created for employees and establishes the infrastructure for Execution of the Strategy
- **EXECUTION:** creates value for investors through disciplined management – effectively mobilizing employees to achieve the Strategy

enlight's approach is unique. We combine analytical rigor with a deep understanding of our clients' culture, capabilities and context – its industry, customers and competitors – to develop insights that achieve sustainable competitive advantage and deliver superior financial results. We know that the secret to achieving and maintaining business success is an artful combination of analysis and leadership. This perspective is embodied in **enlight's** mantra: **evaluate. inspire. profit.**



ABOUT AMY

Amy H. Fulford is a business strategist with finance and marketing expertise. Amy's work experience has afforded her the opportunity to solve business problems in a myriad of situations – from the perspective of both consultant and employee.

Amy honed her skills through a variety of roles at Boston Consulting Group, Alcoa Inc., Procter & Gamble and Huntington Bank. Amy's industry experience includes Automotive, Aerospace, Financial Services, Consumer Products, Packaging, Building & Construction and Pulp & Paper. Her sector experience spans Manufacturing, Retail, Services and Non-Profit.

Amy holds a BS in Economics and Government from Centre College in Danville, KY and an MBA in Strategy and Finance from the University of Chicago Graduate School of Business.



OF THE TIMES

As previously highlighted, we've reached an interesting point in the evolution of business. The spread of capitalism around the world and increased access to information via the Internet have catalyzed the creation of a truly global economy. In addition to opening up new markets for our products, this phenomenon means we're faced with more (and more intense) challenges at home.

These challenges are confounding executives throughout the business world and forcing them to re-think traditional management techniques. No industry is immune. The effects are felt across automotive, aerospace, apparel and even the medical and jewelry industries. No sector is untouched – manufacturers, retailers and service providers all suffer. The realities of this 'new economy' are summarized in the following categories:

- Intense Global Competition
- Shifting Customer Priorities
- Rapid Product Commoditization
- Unprecedented Input Costs
- Increasing Investor Expectations

Individually, these problems are not new. Collectively, they are revolutionary...and potentially catastrophic. While there is some comfort in their familiarity, there is often complacency, as well. Executives are faced with the daunting responsibility of both illustrating the holistic magnitude of the challenges to managers and the rank and file and creating an unprecedented sense of urgency. Individual employees may recognize symptoms of one or more of the issues, but they are less likely to grasp the entirety of the challenge at hand – meaning they are more likely to underestimate the severity and complexity of addressing them collectively.

The net result is that executives are stretched across a variety of fronts: developing ways to create more value for customers (and capture more value for the company), garnering support and buy in from employees for action and enabling their organizations to act with increased speed and flexibility. This is the reality of the global economy. This is what drives executives to reevaluate STRATEGY, STRUCTURE and EXECUTION.

So, what's an executive to do? The best defense is a good offense. First, define the problem, answering questions such as: What, specifically, are the key challenges? How are individual issues related? What is the root cause? How are competitors and customers affected? How are competitors and customers responding? Next, put the **Strategy** to the test by evaluating how it measures up in creating customer value? Then analyze the **Structure** to ensure that employees are capturing value and that the organization is setup to efficiently achieve the **Strategy**. Finally, take a critical look at **Execution**, evaluating metrics, timelines and results in light of the new context. Appropriately adapting STRATEGY, STRUCTURE and EXECUTION will ensure that the company is positioned to reap the benefits of the global economy.