NINE TYPES OF STRATEGY

This tool concisely defines nine types of strategies. It lists the factors that should drive an organization's choice of strategy and includes helpful hints to guide your choice of strategy. This is an extremely useful tool to use as part of a strategic planning process.

Introduction

The type of strategy you ultimately choose is driven by these factors:

- What are your most immediate concerns?
- How much risk can you afford to take?
- What is the downside of choosing one type over another?

Choose your framework at the start. How you define your goals will define the process and the strategies you come up with.

The Nine Types of Strategy

1. Value oriented

Definition: planning to create the greatest value for shareholders.

Note: This is a long-term strategy aimed at building shareholder value. It aims for steady gains in share price, not immediate bumps (see "finance oriented" strategy).

2. Customer oriented

Definition: planning to create the greatest value for customers.

Notes: Typically, you begin by segmenting customer wants. Then you identify one or more subsets of customers and concentrate on meeting their needs. Concentration of resources can be achieved in several ways:

- Choose the most vulnerable market segment (in terms of your competitors).
- Choose products or markets that require response rates beyond a competitor's ability.
- Choose products or markets which require capital that a competitor is unwilling to commit.
- Recognize the commercial potential of new technology early on.
- Exploit differences in style, pricing, method, system of distribution, etc.

3. Competitor oriented

Definition: planning to beat your competitors.

Notes: You have to be able to define the game, what "winning" is, and be able to measure it. Very few companies lose market share because of head-to-head competition. Rather, they lose it because of structural changes and the weakening of their markets.

Typically, you try to attack your competitor by exploiting any difference. Ultimately, this boils down to one of the three factors that determine profit: price, volume and cost. (Compete on variable costs, not fixed costs, if you're a small company fighting a bigger one.)

Or, induce your competitors not to invest in those products, markets and services where you expect to invest the most.

4. Technology oriented

Definition: planning toward creating and marketing a particular technological breakthrough.

Note: Often used by small, niche technology companies that enjoy a clear advantage in terms of intellectual property. Typically leads to "technology-rich, customer-poor" companies, because inadequate resources exist to convince customers that they need the product.

5. Social service oriented

Definition: planning toward a particular social goal i.e., curbing illiteracy, planting trees.

Note: Used if all other considerations are in service to the mission. Typical for non-profits.

6. Finance oriented

Definition: planning to meet specific monetary/financial needs. (Different from value planning, because value planning is longer-term; finance-oriented may focus more on exit strategy.)

Notes: Typically, you try to gain an edge in one key function:

- Improve cost effectiveness by sharing a key function among the corporation's other businesses.
- Become the low-cost producer. This inevitably translates into increased market share.
- Exert financial leverage. When market, tax or book values are not congruent, there is usually an opportunity to arbitrate the difference and convert it into a strategic advantage.

7. Worker oriented

Definition: planning to create the greatest value for employees and creating the best environment in which to be productive.

Note: This strategy sees value as stemming from creativity.

8. Exit oriented

Definition: How do we, the owners, position the company for the best price?

Note: This strategy is largely financial in nature, focusing on creating a solid balance sheet and attractive cash flows in preparation for a sale.

9. Flexible

Definition: planning to provide the most flexibility in a time of change.

Notes: Many companies in the first stages of growth seek to maximize flexibility as they wait and see how the market responds to their products or services. This is not usually a sound long-term strategy.