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Worksheets

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Worksheets for the Strategy Dynamics method - Introduction

This booklet provides worksheets and guidance notes for applying the Strategy Dynamics method to practical challenges facing businesses and non-profit organisations. The worksheets are intended for use in conjunction with the more detailed explanation provided in the e-book 'Competitive Strategy Dynamics' and in a series of related articles available at www.strategydynamics.com. Users are reminded that, like any business analysis technique, this method is only as valuable as the quality of information and thinking that are put into it - the Worksheets offer guidance for seeking answers, not the answers themselves.

The Workbook is organised as follows:

Worksheets and notes	Each worksheet is shown, with notes and tips on the facing page. These worksheets, together with 'Competitive Strategy Dynamics' and the mystrategy [™] software assist in applying the Strategy Dynamics approach.
Worked example and notes	The core worksheets are completed for the case of a low-cost internet savings bank, to illustrate how the process is applied.
Illustrative strategic architectures	A series of examples are described, to show the result of applying the worksheets to a range of common industry cases.
Worksheet master-set for copying	Blank originals of the worksheets are provided. Note that regular copyright conditions apply <ul style="list-style-type: none">- unlimited copies may be made for personal use,- permission for copies of the master sheets, for use by colleagues or others, may be purchased by email request from sales@strategydynamics.com.- additional copies of this entire workbook for supply to others may also be purchased by email request to the same address.
Worked example	[Low-cost bank case - see above].

Strategy Dynamics

Worksheets for the strategic architecture

These worksheets should be used in conjunction with documentation explaining the Strategy Dynamics method.



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These worksheets allow you to map the architecture of strategic challenges you face. This process is described in a variety of documents available from Global Strategy Dynamics Ltd (www.strategydynamics.com).

- *'The Dynamics of Strategy – Executive Summary'* (free) e-document explains briefly the core frameworks that constitute the Strategy Dynamics method.
- *'The Dynamics of Strategy'* – e-document provides further explanation of the core Strategy Dynamics frameworks (Stages 1-6 described here).
- *'The Dynamics of Rivalry'* – e-document describes briefly the frameworks that capture the processes of competition for customers and other contested resources.
- *'The Softer Side of Strategy Dynamics'* – e-document explains how soft factors, such as staff morale, market reputation and capabilities affect business performance and connect to the strategic architecture.
- *'Competitive Strategy Dynamics – Kim Warren, John Wiley & Sons 2002'* comprehensive explanation of the foundations, structure and application of core frameworks of the Strategy Dynamics method

Mapping the strategic architecture of dynamic challenges in business and policy is complex and demanding, and must be carried out carefully and accurately.

Worksheets listing ...



Stage 1 - Identify the time-path of the key strategic challenge	... defining the strategic 'issue' (problem or opportunity) as a change through time of some critical performance measure.
Stage 2 - Identify the strategic resources relevant to the issue	... specifying the strategic resources necessary for competitive advantage, and their measurement.
Stage 3 - Immediate explanation for the performance path	... identifying the elements needed to calculate the performance item of concern (This stage may not be needed in all cases – see notes).
Stage 4 - How flows are changing resource-levels	... focusing on the central strategic resources and how their dynamic behaviour results from the <i>net</i> effect of their accumulation and depletion.
Stage 5 - Drivers of changing flows affecting resource-levels	... identifying the factors driving the rates of increase and decrease for key resource-stocks.
Stage 6 - The heart of the strategic architecture	... building the central core of the resource-system around the key tangible resource(s).
Stage 7 - Specify key resource attributes	... defining important <i>qualities</i> of the tangible resources in the strategic architecture that impact on performance and need to be managed.
Stage 8 - Add indirect resources	... adding feelings and perceptions of key participants, whose behaviour is an important influence in the strategic outcomes.

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- The worksheets simplify the process of developing your strategic architecture as much as possible, to make it easy to follow. In practice each stage requires substantial thought and debate amongst those concerned with the issue.
- The time-charts that occur throughout the stages may seem easy to sketch out in a few moments. However, it is rarely simple to find the historic data to populate these charts, and it is *vital* that reasonably accurate scale and timing be applied to them. Projecting the behaviour of the time-charts into the future again requires considerable thought and debate with those most knowledgeable about the issue.
- It is important to agree specific definitions for resources and other elements of the resource-maps. ('Service quality', for example, may have many meanings even within a close-knit team of managers, such as response-time, problem-resolution rate or the politeness of staff.)
- At several stages, hard choices must be made to focus attention on truly important issues. The worksheets are designed to enforce this clarity of focus. It is easy, for example, to produce a 'shopping list' of 20-30 strategic resources, particularly if proper definitions don't exist. Time spent cutting such lists back to the key issues is rarely wasted.

CONTINUED on next Notes page ...

... worksheets listing continued



Stage 9 – Add rivalry

... where rivalry for scarce resources is involved, adding the framework for how those items move between competitors.

Stage 10 – Identify key managerial controls

... identifying where managerial decisions and policies are controlling critical flows of resource.

The remaining stages require no further worksheets, as they are carried out on information already gathered in earlier stages. It will also be necessary in most cases to build a more extensive picture in Stage 11 than is possible to portray on a single slide.

Stage 11 – Re-present the strategic architecture (no worksheet)

... laying out the strategic architecture with resource attributes, indirect items, rivalry and managerial controls.

Stage 12 – Summarising key actions (no worksheet)

... identifying timed, quantified actions to alter the dynamic behaviour of the strategic issue in your own favour.

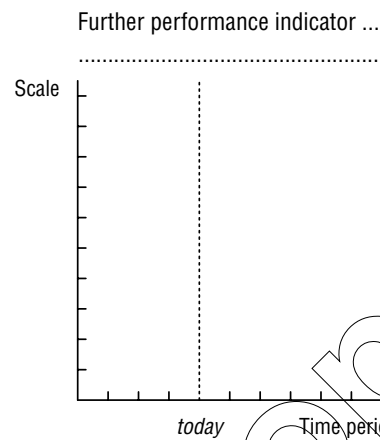
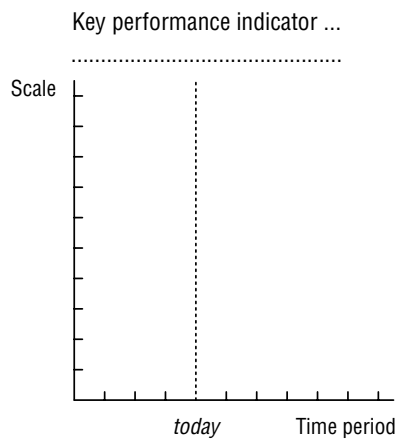
Stage 13 – Confirm improved dynamic behaviour (no worksheet)

... checking that the timed actions work together to improve the system's behaviour to the degree and timing expected.

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- The causal connections in the resource-maps may also appear easy to sketch. But each connection *must* reflect accurate definitions of the items it links and *must* portray the reality of how issues interact. For example, it is common to show a link from revenue to marketing expenditure, but that link is only valid if the firm's actual behaviour is to increase marketing expenditures when revenues rise (whether due to an explicit policy or observed behaviour).
- The worksheets are designed to be compact. Any real application is likely to be somewhat extensive. You may also need to build stages together, rather than separating them out - e.g. work through stages 7-10 in isolation, but connect them to Stage 6 to arrive at a more comprehensive architecture of your strategic challenge. This integration of the diverse features of a strategic architecture is typically beyond what can be accomplished on a single sheet of paper or a PC screen (though compact examples are provided in the accompanying Illustrations document). In practice, teams are well-advised to use a large whiteboard to capture the full picture.
- The worksheets should not be followed slavishly. You may find some elements to require more effort than the worksheet implies, or find that other items are relatively unhelpful to your specific issue.

Stage 1 - Identify the time-path of the key strategic challenge of concern



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- Identify the strategic item, its scale today, and in the past, and its expected path into the future.
- When sketching out the future, consider including both a 'preferred' outcome (what will happen if you do well) and a 'feared' outcome.
- Be sure to add a meaningful time-scale to the bottom axis, that matches the time horizon of your issue (weeks, months, quarters, years).
- Include a start-date and end-date, and if history is relevant, indicate where 'today' lies on the time axis.
- Appropriate indicators for strategically important issues may be financial (earnings, cash flow), or operational (customers, staff).
- Avoid ratios (return on sales, market share) – use the substantive measure instead (earnings, sales revenue, sales volume, customers).
- Be sure to include a precise and agreed scale to measure the indicator (€ millions, staff numbers).
- It may help to use a 'further performance indicator' to support the 'key performance indicator' – e.g. earnings in decline and falling customer numbers.
- Move or extend the vertical scale downwards if you need negative values.

Dynamics of Strategy

Worksheets for the strategic architecture ... example for a low-cost Savings Bank



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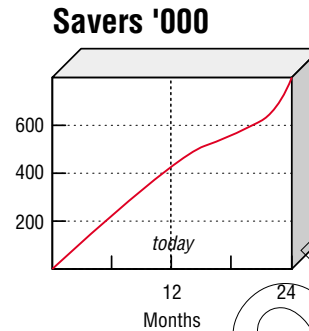
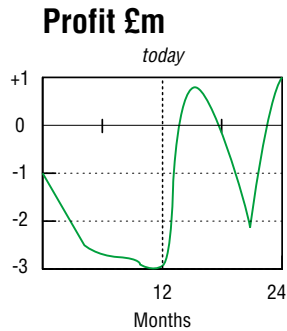
You have recently been appointed General Manager of a new, low-cost savings bank, launched 12 months ago on the promise to savers of very attractive interest rates on simple products and offering only basic service. You have been called in because, although the bank has won savers at a very rapid rate, it has not been able to turn this volume of business into profits, and the bank's owners want the financial performance turned round.

On examining the bank's situation, you discover that its problems lie deeper than a simple inability to be profitable.

- Service quality has fallen to very low levels, with most customer transactions experiencing some kind of problem.
- As a result, the bank's reputation has, after a promising early start, fallen to a dismally low level.
- The poor service quality appears to be a consequence of severe workloads on staff, which have caused high rates of resignations.

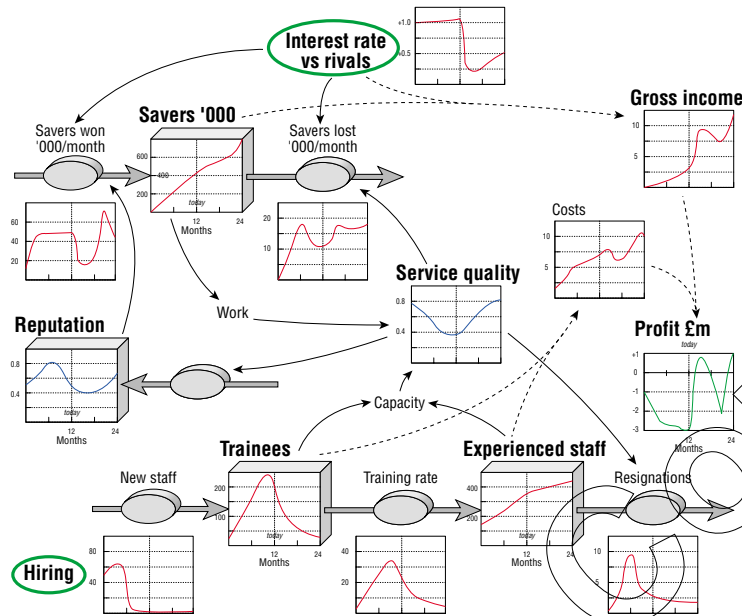
The following slides tell the story of your diagnosis of this problem and your plans to turn it around in the next 12 months.

Stage 1 - Identify the time-path of the key strategic challenge of concern



- Up until now, the bank has been heavily unprofitable, losing £3m per month for most of its 1-year life.
- However, the number of savers has grown strongly, although there are signs that this growth may be slowing down.
- You reckon that you will have to do something fast to restore the Board's faith in the venture, hopefully enough to push the bank into profit.
- If this goes well, you expect to return to the Board (around month 15) for backing to make some further commitments which, though they will depress short-term profitability, should refresh the bank's ability to grow profits beyond the 2nd year.

Stage 6 - Heart of the strategic architecture: checking that the plan hangs together



As a final check, you lay out the whole system to ensure that the plan hangs together.

- You make sure that the rates of change in your critical resources are reasonable ...
- ... and check too that these are well-justified, not only by your planned policies, but also by what you expect to be happening to other parts of the business as time passes.
- You also check that the financial consequences of these plans are both accurate, given the changes in the drivers of income and costs.
- Finally, you consider whether this plan is credible enough to win the backing of the Board.

From this point, you are able to return to the list of resources in Stage 2, and consider further strategic developments.

- What to do about extending the range of products offered, with a view both to winning more business from existing savers and also attracting new customers.
- What policy to adopt regarding the balance between growth in customer numbers vs. growth in customer quality, both by trying to attract larger deposits from existing savers and by targeting more prosperous savers in future.



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Illustrative strategic architectures

Using the Strategy Dynamics method commonly results in strategic architectures that are widespread amongst businesses of similar types. This section provides examples of some common structures, and the logical build-up that gives rise to them.

WARNING - these generic structures should NOT be taken as being applicable to any real case without careful review. The strategic resources in any specific situation will likely include additional elements, together with additional inter-relationships between them.

Strategy Dynamics

Common Strategic Architectures

A - Manufacturing



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Common Strategic Architectures

B - Bank Lending



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Common Strategic Architectures

C - Media



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Common Strategic Architectures

D - Project Contracting



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Common Structures

E - Pharmaceuticals



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Common Structures

F - Professional Services
(including internal service departments)



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Common Structures

G - Retail banking

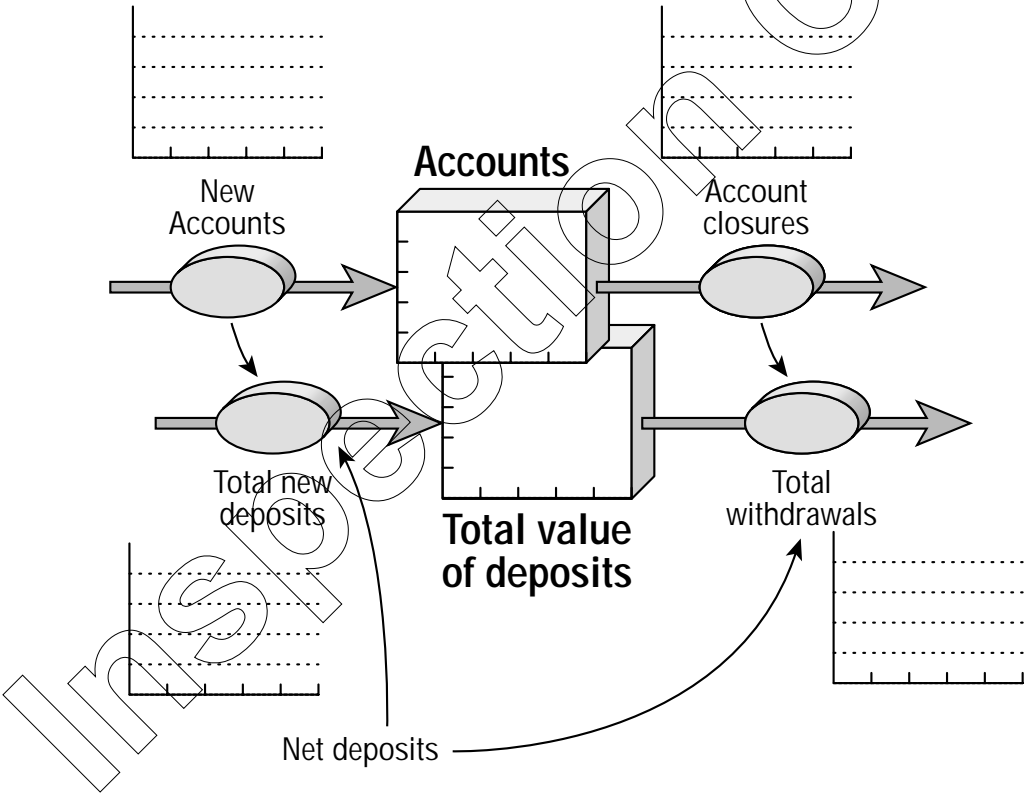


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Numbers of accounts, and size of deposits have traditionally been key



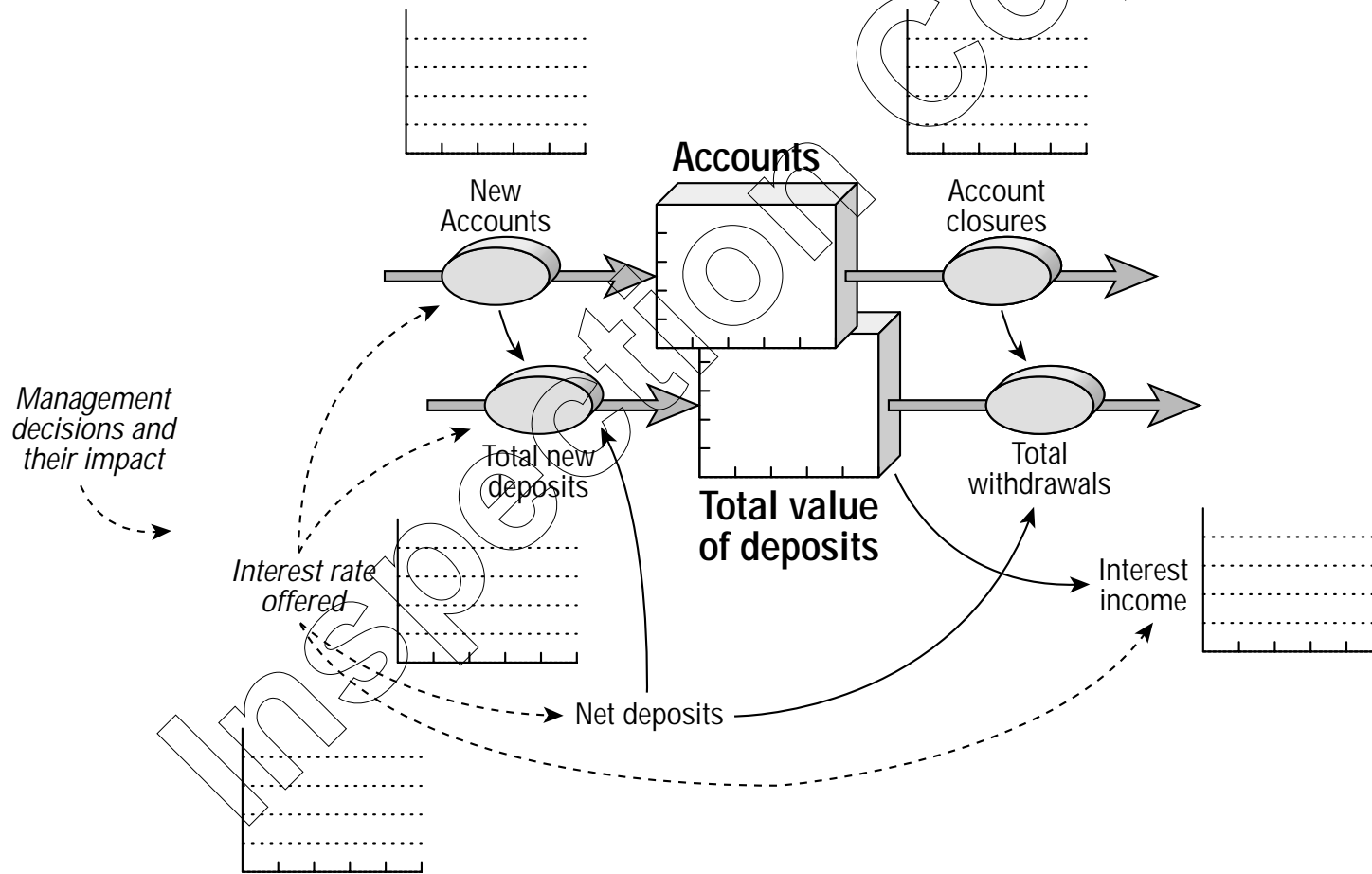
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Interest-rate choices - immediate margin gain vs. continuing loss of accounts and deposits



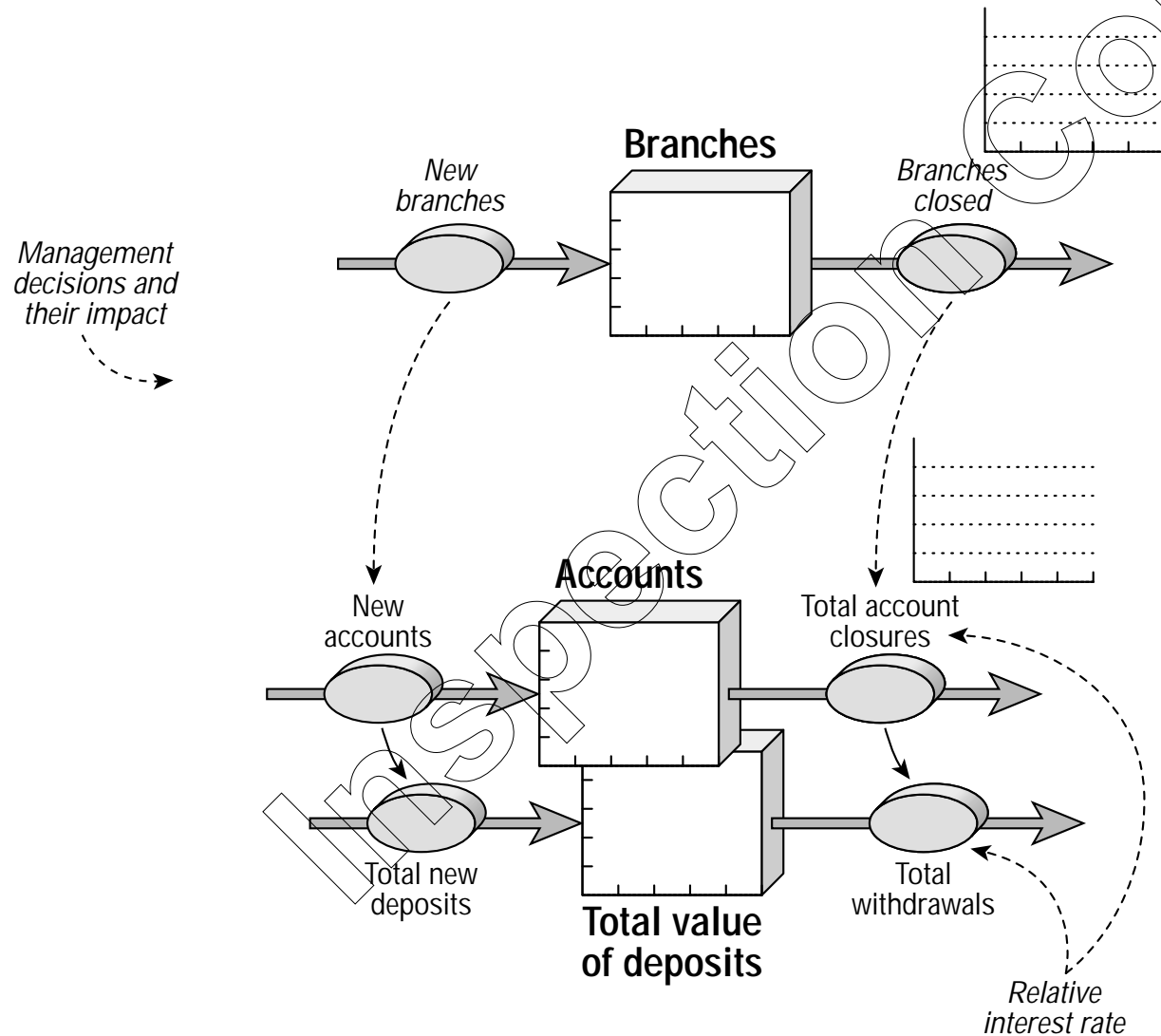
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Falling use of branches led to rationalisation, but this causes further loss of accounts and deposits



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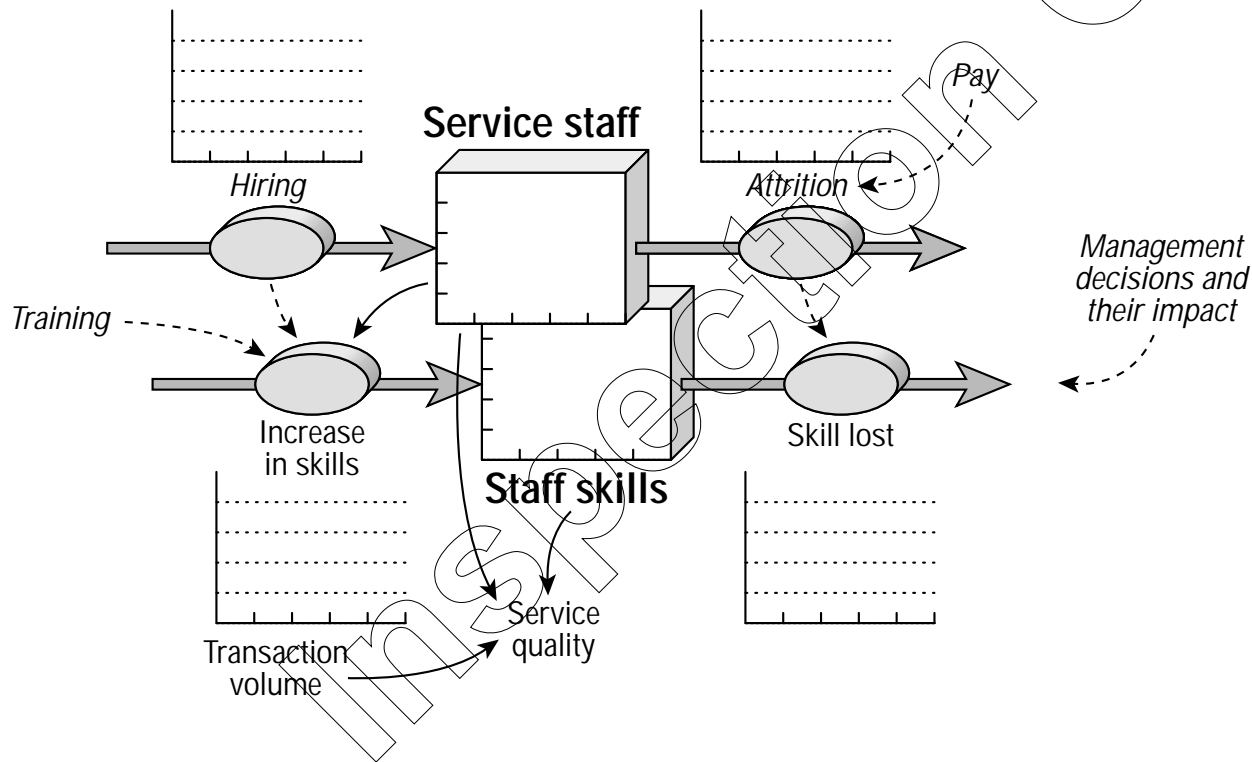


... but what portion of account losses are due to closures vs. interest-rate and other factors?

Whether in branches or service centres, staff numbers and skills are key



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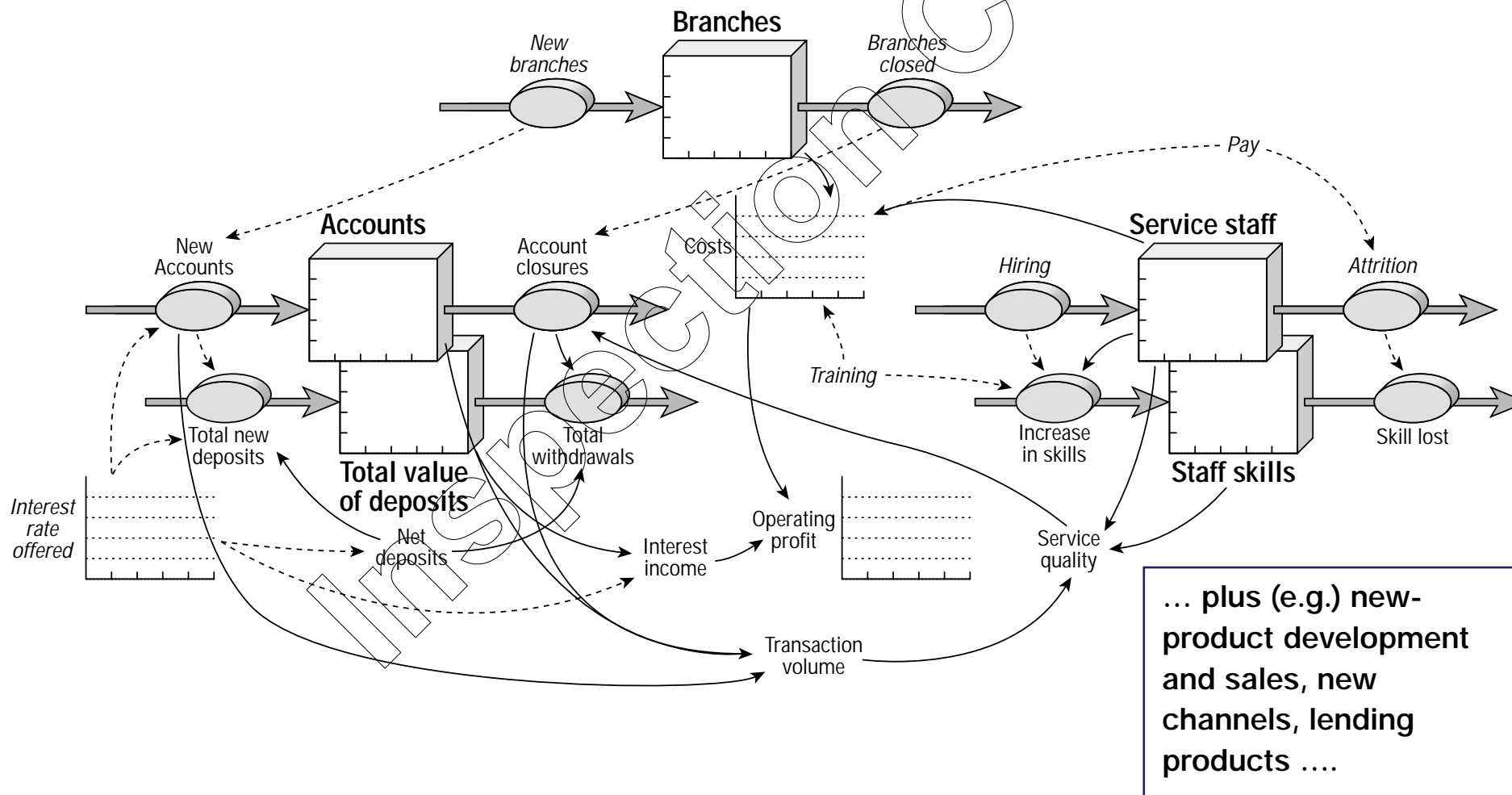


... but how to balance numbers, skills and cost vs. transaction volumes to sustain service quality?

Integrating key resources in retail banking shows where management choices intervene



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Issues in retail banking



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- **Maintaining profitability when well-informed customers move accounts to other institutions.**
- **Replacing interest-margin income with product sales.**
- **Developing sales-orientation in branches.**
- **Pace at which to rationalise the branch network.**
- **Migrating staff from branch-based service to service centres.**
- **Building and sustaining service quality.**

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