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Strategy as a success factor for the digital transformation

Dear Sir or Madam,

This guest newsletter by Daniel Seiler, managing director of The Rainmaker Corporation Switzerland Ltd, illustrates why a clearly defined strategy for the digital future can also be a success factor for SME. The original copy of this article appeared in the Weka Verlag newsletter.

The word «strategy» originally comes from ancient Greek “stratēgía” or “stratēgós” and stands for “art of troop leader” or “general”. Members of military forces know military strategy terms – problem determination, situation assessment, decision making, plan development and command output.

Even today, strategy is still a core element for military forces. During an emergency there is no room for hesitation – rapid response to an evolving situation requires a clear concept with well-defined steps and targets.

Hence a strategy is a long-term plan to achieve a clearly defined goal.

*“Successful are those companies that consequently adhere to a strategy over years”
Denner heir Philippe Gaydoul, in answer to the question who best masters crises.*

Why a strategy is also important for an SME

We live in a world that is changing both rapidly and dramatically. There is much discussion about the speed of change, but who would have thought 25 years ago that in the future a telephone or even computer would fit in your pocket and that conceivably soon you won't even need a device in a traditional sense for data storage or communication. The digital transformation is in full swing. Technological possibilities seem virtually boundless, which can be overwhelming.

From a businessman's point of view, it is about recognising possible business models and opportunities, but also identifying threats early on and actively shaping the change process.

Successful entrepreneurs will have no choice in the future but to deal with the digital transformation, to understand it, and to develop appropriate strategies. This applies to all businesses – big and small.

Why do many SME have no documented strategy?

Daily operational challenges of running a business tend to leave next to no time for tackling the long-term, strategic issues. Setting up a strategy requires both time and a clear head. Often strategies as well as the processes to develop them are regarded as complex, formalistic and quite difficult to grasp. It can also be tempting to consider all possible scenarios and elaborate every single detail during strategy development – which may lead to a few binders worth of paper, but in the end no overall tangible and deployable substance.

To enable a rigorous implementation of a strategy, it must be articulated succinctly and simply to follow for all employees.

Focus on the customers and their needs

It is recommended to start with the market and the customers when developing a strategy. As a matter of course it is also necessary to consider in which phase a company finds itself. A start-up or a relatively young company has completely different demands when it comes to strategy than companies that are either in a period of growth or about to reach maturity. However, any strategy should be all about the customers' current and future needs, and how the company's offering can be best tailored to meet them.

What a strategy needs

The military's four steps for a strategy still apply today: first, one must analyse the market, but also assess own strengths and weaknesses as well as the resulting opportunities and threats – it is best to include your employees and survey the customers.

Questions should include:

- How have customer needs changed, what are the challenges for the customers?
- Will there perhaps be new customer groups in the future?
- How can you adjust your range of products or services to the changing demands of customers?
- How is the company and its range of products or services regarded by the customers compared to the competition?

The second step is the development of an actual strategy:

- What should the company stand for in the future?
- Which products and services should be on offer?
- With which value proposition should a customer benefit be communicated?
- Which customers or customer groups should be addressed?
- How do you want to differentiate from your competitors? Do you have a unique position in the marketplace?
- What are the future competitive advantages and the resulting success factors?
- What are the processes and systems to deliver prospective market performance?

Once the strategic targets have been set, the implementation of the strategy follows. Schedules and responsibilities will be defined and, if necessary, processes adjusted.

Review of the strategy does not require a military roll call by the boss; however, clearly defined and measurable performance indicators are mandatory to track the progress.

Strategy development should consider not only the hard factors, but also soft factors like role-modelling and team work. A strategy cannot be defined and delivered in a day – implementation needs leadership, continuity and a clearly defined timescale (2-5 years).

Strategy is not a project

There are a number of different strategy approaches, none of which are “right” or “wrong”. It is just important that you simply make a start and gradually develop your strategy. The process should be motivating and not form-filling exercise. The involvement of those with know-how (employees and customers) is important. A jointly developed strategy empowers employees and reassures the customers.

Please take your time and define clear time windows when you will be working on your strategy. Strategy work should be fun – you could also combine this kind of work with a team event. Do set realistic and measurable goals. Consider the challenges ahead as opportunities and start today to develop your strategy for a digital future.

Also in the future companies which continue to be successful will be those able to anticipate the changes and actively respond to them.

About the author

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Kind regards

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