Creating Effective Business Strategy
By Ann N. Gatty, Ph.D.

An effective business strategy is an action plan that coordinates the efforts of your well-crafted business model. Your business model answers the question, “How does your business plan to make money?” The answer—which formulates the business model—is a combination of (1) revenue sources, (2) customer base, (3) products and services provided, (4) operations and (5) detailed financing. There are many business models from which to choose, so the type of business will inform this choice. But the business strategy is the organic, fluid set of activities that will coordinate the efforts used in your areas of marketing, sales, operations, product development, and finances.

In other words, the business strategy delineates an action plan which outlines how an organization moves forward, while synchronizing the functions of the organization. This business strategy becomes a blend of organizational goals that support its mission and vision. A good business strategic plan will effectively involve defining a unique position in the marketplace, making clear business trade-offs and tightening operational fit.

A good business strategic plan provides answers to this question:
What is your workforce working on?
1. We’re working on solving x problem(s)
2. Here’s why it matters to the organization
3. Here are the outcomes we’re working toward
4. This is how the work may affect the operational budget and timeline.

To manage business strategy effectively, include the following components in your operational plans:
- Develop a series of well thought through actions including phases for each of the business functions, including marketing, sales, product development, finances, and operations.
- Practice clear communication with feedback loops for all staff.
- Assign metrics with key performance indicators to measure your progress.
- Consider contingencies to plan for the unexpected.
- Monitor and evaluate results derived from your activities on a regular basis.

In implementing any new strategy, it’s imperative to define clearly what you are moving from and where you are moving to with respect to your company’s business model, workforce capabilities and available resources. A central challenge of business strategy is that we must make choices, also known as trade-offs. The essence of strategy is choosing what not to do. A good business strategy is about combining activities in such ways, that the most robust results can be achieved. In companies with good strategies the activities complement one another in ways that create economic value. Activity costs should be kept at the lowest reasonable level while enhancing customer value. This seamless combination of activities is what is termed, operational fit. The better the fit the more effective the
efficiency of operations and focus of purpose. Optimization of effort is a critical element of business strategy.

We know the operating a company is risky business. There is always uncertainty. To mitigate the uncertainty, start by listing the variables that influence a strategic decision and then determine which would have the greatest impact. The goal of building a business strategic plan is to remove as much risk as possible while still growing the business. Smart leaders know that the most successful business strategies will allow the company to maintain a competitive edge in the market place and continue to be profitable.

Creating effective business strategy is an activity that is ongoing and monitored on a regular basis. Annual plans provide a start for the process, but it is essential that the strategies are reviewed at least on a quarterly basis to determine if modifications are necessary. Keeping an eye on details while maintaining a long-range view will allow businesses to grow and prosper.

About the Author:
Dr. Ann Gatty is a business learning expert. She helps her clients build businesses to work brilliantly. Through a collaborative mentoring process, she and her clients create workable strategic business plans and success initiatives, while improving their workplace processes. She is frequently featured in the media and contributes blog posts for www.AllBusiness.com and www.WomenOnBusiness.com. Her interactive speaking engagements assist participants in discovering new-found talents and skills that they can immediately apply in the workplace. Watch her video series, Building Businesses to Work Brilliantly for more business strategy tips.