

STRATEGY EXECUTION VITAL FOR BUSINESS SUCCESS

by Allan Gray

Developing a winning strategy in volatile agricultural markets can be challenging. The key is for company leadership to focus on what they can control. That means identifying, developing and leveraging two to three strategic capabilities that give a company a differential advantage.

According to **Harvard Business School** professor **Michael Porter**, a successful business strategy is determined in part by performing differently than competitors in ways that are valuable to customers. The set of capacities, resources and skills that build long-term competitive advantage are known as strategic capabilities. A company that can differentiate itself will be much better positioned to weather market conditions.

Strategic capability combines talent, information, technology and routines. While many capabilities are necessary to compete in the marketplace, only a few can be strategic. The primary difference has to do with focus. A strategic capability is a focus on a subset of the important capabilities that leads to a company differentiating itself to core customers relative to competitors.

Take **Wal-Mart**, for example. Wal-Mart has capabilities in logistics and distribution, but so do competitors. It's the specific set of activities that Wal-Mart executes at a high level that sets the company apart from the industry and allows above-average returns more often than not.

IDENTIFYING STRATEGIC CAPABILITIES

Strategic capabilities are unique to a particular company. They should create a unique value proposition for the customer and be sustainable for the long-haul.

For example, companies within

the U.S. grain-handling industry would need efficient asset design, unloading capacity, location, risk management, and farmer relationships to compete in the industry. But a single company can only develop a few of those into strategic capabilities.

These four key questions can help company leadership identify two to three capabilities to develop into a competitive edge:

1. Is the capability an important source of the value proposition offered to customers?
2. Is the capability relatively unique among close competitors?
3. Is the execution of the capability head and shoulders above the competition if they rely on a similar capability?
4. Is execution of the capability on-par with industry standards, or at least profitable, if close competitors rely on a similar capability?

ANALYZING THE ANSWERS

The answer to the first question has to be yes for the capability to be strategic. The next three questions help determine how much strategic value the capability has. A yes answer to the second question identifies a strategic capability that creates the most value for customers and is difficult for competitors to copy. These strategic capabilities, while rare, are the ones in which to invest a disproportionate amount of resources.

If the answer to question two is no, but question three is yes, then the capability has more limited strategic value. It's likely competitors have similar information, technology, and routines. In this case, a substantially superior talent level could allow better execution than the competition. An example is **Google** relative to **Yahoo!**, **Yelp** and **Bing**.

These capabilities need to be leveraged as much as possible, but advantages likely aren't sustainable as competitors work quickly to copy success.

Finally, if the answer to question four is yes, it's likely the capability is important, but not a candidate for strategic advantage. The competition has the same capability, so it won't differentiate a company from the rest of the market.

ARA MANAGEMENT ACADEMY

Strategy will be a key component of the 2016 **ARA Management Academy**, Feb. 2-4 in West Lafayette, IN. The academy is a partnership between the **Agricultural Retailers Association** and **Purdue's Center for Food and Agricultural Business**. It's designed to help managers think strategically, understand marketplace trends and competitive positioning, examine financial management and profitability, create sales and marketing value and implement organizational leadership strategies. Instructors include **Drs. Gray, Scott Downey, Michael Gunderson** and **Rodney Vandever** from the Purdue faculty, as well as **Dr. Bob Grimm** from **Indiana University's Kelley School of Business**. Learn more and register at <http://agribusiness.purdue.edu>. **AM**

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