

Strategy in a Changing Landscape

Strategy is often perceived as a compass directing the organization towards a goal. It is based on the internal capabilities of the organization and evaluation of external influences. The compass may aim at the north in absolute terms, but are the forces acting on the organization fixed in nature? The business world and the environment constantly change. It is easy to identify change after the event: the question is how are we set to reevaluate the strategy and the organizations in the face of change, and how willing, or prepared, managements are to institute changes. Change can happen in many aspects. The demand and the nature of clients may vary. Technology may drastically change as well as communication means and regulation. Historic developments such as wars and mass immigration may still impact at a distance of years from the actual event. A striking example is the United States coping today with the demographic changes caused by the Baby Boom. The American healthcare system is contending with surging demand and limited infrastructure, as describe in the article 'Will the Baby Boom Bust Healthcare'. The article suggests a working strategy to overcome the problems at both the operational and regulatory levels. When reacting to an external change after the fact, there may be a need for internal

changes that require heavy investment. As Charles Darwin put it: "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change." Proper construction of thinking processes at the enterprise enable managements to cope with unexpected developments. The stage of design in the value chain is critical, one way to handle it is making it more sophisticated. Change in the food industry in Western Europe badly hurt second-tier suppliers, who had to deal with higher production costs alongside competitive market prices. By applying advanced value-engineering techniques developed at the University of Cambridge and facilitated by Tefen's Pete Caldwell, they were able to establish a new culture of design and reduce the whole-life product cost. The offset was even higher than the loss in returns caused by price erosion. External changes also lead to changes in customer requirements. The values by which they choose products are dynamic and change with the times, as described in 'A New Wave in the Germany Energy Market'. The article presents new models for segmenting clients used by Germany's utilities sector. They were able to adjust their offering and brand them based on psychographic parameters. The structure of a given market and the goals of share-

holders also change from time to time. The organization must respond accordingly, as described in the article 'Creating Value and Managing Investors'. The organization must manage its internal processes while measuring their effect on value, in keeping with the expectations of the shareholders and the market's behavior. It is management's job to evaluate the impact of external factors on the organization in the immediate and longer run. During the economic crisis of the early 2000s, the Prudential chose to reevaluate the enterprise project portfolio. Its decision not to stop the budget and to continue making strategic investments proved right. Finally and crucially, we must ask how we can identify changes ahead of the event. Most organizations have an in-built system of metrics. The Tefen-Globes-Giza model suggests a way to routinely monitor brand value. Changes in brand value may warn ahead of time that external changes are approaching.

We hope you enjoy reading this edition of the Tefen Tribune. We welcome reader responses and aspire to serve as a platform for fresh ideas in the world of management.



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