

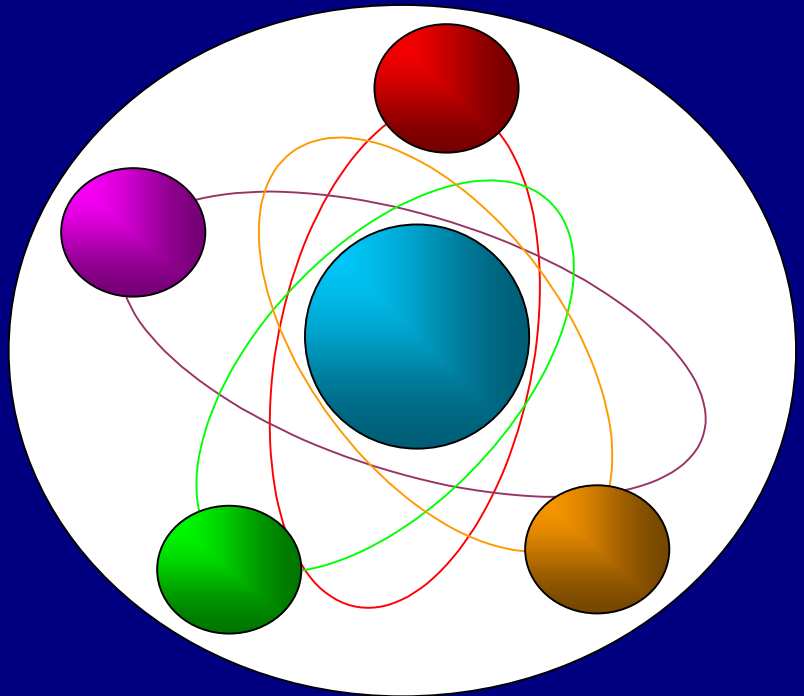


PERFORMXCELLENCE™

*YOUR FUTURE BEGINS HERE*

## THE STRATEGY QUIZ

*... TEST YOUR STRATEGIC THINKING*





## INTRODUCTION

The **Strategic Business Review** is a tool designed to help a business define where it wants to go by identifying its strengths, weaknesses and opportunities, which results in the development of a coherent strategy to get it there. **The Strategy Quiz** provides you with an assessment of your current strategic thinking and compares it with the strategic thinking we have found among successful, strategically focused organizations. Since there are no absolutely right or wrong answers, the main purpose of **The Strategy Quiz** is to provide you with a tool to consider how you think about strategy and to create a dialogue regarding the issues affecting you and your organization.

**Test Your Strategic Thinking ...**

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### 1. Strategy

Which are the three (3) most important elements of effective *business strategy* in today's business environment?

- a  Having a fully formed, long-range business plan.
- b  Understanding how key trends will affect your business.
- c  Having a clearer, better-defined direction for your business than your competition
- d  Having a committed, forward-thinking leader.
- e  Having a unique selling proposition that defines why customers should buy from you.

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### 2. Management

Which are the three (3) most important elements of effective *management* in today's business environment?

- a  Knowing the core competencies of your organization.
  - b  Having enough experienced, trained managers to run the business effectively.
  - c  Defining the critical success factors for your business and tracking them on a regular basis.
  - d  Having a large number of bright, innovative people.
  - e  Having a culture that can adapt to change.
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### 3. Marketing

Which are the three (3) most important elements of *marketing* in today's business environment?

- a  Having a fully formed, long-range marketing plan.
  - b  Knowing why your current customers buy from you.
  - c  Knowing what your customers will likely need in the future.
  - d  Having a sufficient marketing budget to achieve your goals.
  - e  Clearly and consistently spelling out the results your customers can achieve by using your products or services.
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### 4. People

Which are the three (3) most important elements of effective *human resource management* in today's business environment?

- a  Having the right skills and techniques to motivate people.
  - b  Defining the skills and attitudes your business needs to be successful.
  - c  Having an effective system for recruiting and retaining people.
  - d  Having a culture that rewards performance and learning.
  - e  Having a large number of bright, innovative people.
- 

### 5. Finance

Which are the two (2) most important elements of effective *financial planning and management* in today's business environment?

- a  Preparing annual financial projections of income and expenses.
  - b  Ensuring that each department and the entire company stays within a planned budget.
  - c  Tracking financial performance against previous periods, industry benchmarks or other standards.
  - d  The ability to raise sufficient capital to fund growth.
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### 6. Technology/Internet

Which are the three (3) most important elements of effective *technology and Internet capabilities* in today's business environment?

- a  Keeping current with key trends in and adapting your business accordingly.
- b  Training the largest number of people to use technology / the Internet.
- c  Having more advanced technology than your competitors.

- d  Having a culture that embraces and utilizes technology/the Internet.
- e  Having the tools that make technology and the Internet easy to learn and use.

## 7. Product and Service Development

Which are the three (3) most important elements of effective *product and service development* in today's business environment?

- a  Understanding how your customers use your products and services.
- b  Having a culture that rewards continuous improvement of products and services.
- c  Having a core group of creative, innovative people.
- d  Matching or beating competitor pricing.
- e  Having a wider selection of products and services than your competitors.

## ANSWER KEY – CORRECT ANSWERS

- (1) STRATEGY – **b,d,e**
- (2) MANAGEMENT - **a,c,e**
- (3) MARKETING - **b,c,e**
- (4) PEOPLE - **b,c,d**
- (5) FINANCE - **c,d**
- (6) TECHNOLOGY/INTERNET - **a,d,e**
- (7) PRODUCT AND SERVICE DEVELOPMENT - **a,b,c**

**TOTAL SCORE =** \_\_\_ (5 Points for each correct answer - best possible score = 100)

### Rating Scale:

- **95-100 points - Exceptional Strategic Perspective** Excellent command of strategic principles.
- **80-90 points - Strong Strategic Perspective** High-level of strategic thinking. Review selected areas in response key for possible strategic opportunities.
- **70-75 points - Capable Strategic Perspective** Above average. Consider careful review of response key to identify gaps in under-performing areas in your business.
- **60-65 points - Moderate Strategic Perspective** Possibly significant gaps in grasp of strategic concepts. Revisit strategic principles and resources available on strategy; consider intensive review of under-performing areas of the business. *Review Resource Guide for more information.*
- **Less than 60 points - Major Strategic Gaps** May indicate a lack of long-range thinking or significant inconsistencies in understanding strategic planning. Consider getting an outside perspective on your business. *Review Resource Guide for more information.*

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## ANSWER KEY: ANALYSIS

**1. Strategy** – The three (3) most important elements of effective *business* strategy in today's business environment are:

**b. Understanding how key trends will affect your business.**

In order to develop an effective business strategy, it is critical that you understand major shifts in the economy, your market, customer needs, and technology. By understanding how these trends affect your business, you will be better equipped to determine which opportunities to pursue, how to strengthen your business and how to develop products and services to satisfy the needs of your customers.

**d. Having a committed, forward-thinking leader.**

For a business to grow successfully amidst unpredictable change, it must have a leader who is committed to embracing the future and continually improving his or her organization.

**e. Having a unique selling proposition that defines why customers should buy from you.**

With increased competition and seemingly unlimited choices for the customer, it is necessary for companies to clearly stand out. They must offer a compelling value proposition that gives customers a strong reason to buy from them.

**Why the other answers are not among the top three (3) choices:**

**a. Having a fully formed, long-range business plan.**

In a world of constant change, it is not possible to have a fully defined long-range business plan. Certainly, having a business plan is necessary, but it must be flexible - a work in progress. Too many businesses try to map a definite plan and stick to it without shifting direction based on changes in the business environment.

**c. Having a clearer, better defined long-range direction for your business than your competition.**

Again, adapting to change is critical to success. Attempting to define a long-range direction too rigidly may give a business a false sense of security. For example, many companies failed to see the impact of the Internet on their business, and as a result, couldn't change direction quickly enough to stay competitive.

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**2. Management** - The three (3) most important elements of effective *management* in today's business environment are:

**a. Knowing the core competencies of your organization.**

One of the primary goals of effective management is to successfully implement a company's business strategy. Effective strategy, in turn is largely focused around the organization's core competencies, or

what it does well. In order to accomplish this, management must know what the organization does well and what it needs to improve upon. The best-managed businesses are continually improving their core competencies and adding competencies that are central to executing their business strategy.

**c. Defining the critical success factors for your business and tracking them on a regular basis.**

Another key function of management is to determine how the company's success will be measured (critical success factors) and then tracking its performance against those measurements. This way corrections can be made to keep the business on track and performing well. Many companies fail to define long-term success – they only measure sales and profits, which are short-term measures. Other critical success factors often include brand recognition, penetration of new markets, customer satisfaction, employee satisfaction and retention, and return on investment.

**e. Having a culture that can adapt to change.**

Only organizations that embrace change rather than resist it will succeed in the new economy. Being adept at managing change takes many forms; taking advantage of business opportunities, utilizing technology in effective ways, repositioning the way products and services are marketed, or providing employees with the benefits necessary to retain them and keep them productive. In today's business environment, companies must look at change as a given and as an opportunity. They need to learn how to be effective at adapting because part of our nature is to try to keep things the way they are in our comfort zone.

**Why the other answers are not among the top three (3) choices:**

**b. Having enough experienced, trained managers** is often a plus, but it is not a prerequisite to success. In fast growing, new areas of the economy such as technology and new media, there are very few experienced, trained managers. Most successful entrepreneurial companies had few experienced or trained managers in the beginning. They learned the skills of management through experience, and in some cases, hired more seasoned managers along the way. There are times when having too many experienced trained managers can be a liability. We have seen this with so called old economy businesses. Their old paradigms and previous experience were obstacles in understanding the new business models.

**d. Having a large number of bright, innovative people.**

Certainly having a significant number of bright, innovative people is a major advantage to a business. The difficulty is that there are not enough of these people to staff all the businesses that want them. If a company waited until it had enough of those high achievers before they launched a new business initiative, they would probably find themselves behind their competition. Successful companies need a core group of bright, innovative people to lead, develop products and services, marketing campaigns, manage technology etc. Businesses that have been leaders in their industries have developed strong business systems. These systems have run the business and people have run the systems.

**3. Marketing** - The three (3) most important elements of *marketing* in today's business environment?

**b. Knowing why your current customers buy from you.**

Effective marketing centers on accurately identifying your target markets and their needs, and reaching those markets with a clear compelling message that addresses those needs. Strong marketers are continuously surveying their current and potential customers why they buy from them, and why they don't. Knowledge of customers attitudes about your company and its products and services and the competitor is the key to developing effective advertising and merchandising, managing your pricing policies and making changes to your product and service mix.

**c. Knowing what your customers will likely need in the future.**

Knowing what your customers and potential customers will need in the future is also essential for successful marketing needs since tastes change and technology makes new products and services available faster than ever. Although your customers may seem content they may be looking at your competitors' offerings without you even knowing it.

**f. Clearly and consistently spelling out the results your customers can achieve by using your products or services.**

While you may be keenly aware of the benefits you offer your customers, don't assume they are. They may buy from you for reasons having nothing to do with the benefits you want them to realize. For example, Proctor and Gamble pours millions of dollars into making Tide the most advanced detergent on the market, able to remove stains that other detergents can't. Yet, many customers only buy Tide because it's a brand name they trust. They are afraid to try a new brand for fear it might not be as good.

**Why the other answers are not among the top three (3):**

**a. Having a fully formed, long-range marketing plan.**

Just as with business strategy, it is impossible to totally plan out a long-range marketing strategy and stick to it. Yes, having a marketing plan is wise - but it must be continually refined to adapt to changes in the market. Having a sufficient marketing budget to achieve your goals is essential.

**d. Having a sufficient marketing budget to achieve your goals.**

Having enough money set aside at the beginning of the fiscal year to implement your marketing plan is usually ideal. But, it doesn't always happen and history has proven that for most successful companies it is not a prerequisite for success. Many young, entrepreneurial businesses have no formal budget and very little money. In some case, having little money forced them to be innovative - develop such an outstanding competitive advantage that marketing dollars become less important or use strategies that don't rely as much on spending (public relations, viral marketing, etc.).

**4. People** – The three (3) most important elements of effective *human resource management* in today's business environment are:

**b. Defining the skills and attitudes your business needs to be successful.**

For a human resource strategy to be effective, it must be aligned with the company's business strategy. The first step in this alignment is reviewing the skills competencies and attitudes called for by the business strategy. For example, if the strategy is built around developing and marketing top of the line products with advanced design and quality then the organization must have a strong, core group of product designers and managers. The culture must reward creativity and an attitude that the product could always be made a little better. On the other hand, if the business model were structured around providing the widest choice of products and low prices then the skills and attitudes needed would be different. In this case efficiency, low-cost purchasing and expertise in logistics are prized.

**c. Having an effective system for recruiting and retaining people.**

Once you have identified the kind of people you need, the next steps are finding them and having them stay with you long enough to make a meaningful contribution. One of the most important tests of a business as it grows larger is its ability to hire the people with the right skills and attitudes to support its growth. Many companies that experience success in the early stages of their existence are unable to meet the people requirements of growth. This often happens because they never built a system for recruiting and retaining people. In small businesses a few people (sometimes even one) are responsible for hiring. They may have a great network of contacts or a relationship with a competent recruiter. Their judgment of people is sound and they manage to hire enough good people. As the company grows more and more people are needed with a broader range of skills. Hiring is no longer the responsibility of one or even a few people. To support growth, an effective recruiting and retention system must be instituted. The system provides a standardized but flexible method that can easily be taught as the human resource department grows. Important parts of the system should include guidelines for using recruiters and Internet employment services, candidate screening and interviewing, compensation and incentives, and tools for measuring and improving employee satisfaction.

**d. Having a culture that rewards performance and learning.**

The third key element in the human resources function involves creating an environment where people become more satisfied and effective as their contribution to the organization grows. This is essential for several reasons. For one, most businesses today have a large percentage of their assets invested in people. In an information-based economy, it is the knowledge and skill of people that adds the most value to a business. People who possess intimate and detailed knowledge about customers, products and services, and other employees are hard and expensive to replace. Research shows that the cost of replacing an employee costs 2 ½ times their annual salary. In addition it takes an average of nine (9) months before the new employee is fully productive. To keep people and keep them satisfied and increasingly productive, they need to be rewarded for their success. Rewards must be meaningful and based on accurate knowledge of what your people want. Effective reward systems are usually a mix of standardized and customized rewards. Standardized rewards usually include salary and incentive bonuses, vacation time and reimbursement for continuing education. Customized rewards may include new assignments and learning opportunities and flextime. The opportunity to learn new knowledge and skills is important to the organization and the individual. Both must continue to grow to maintain a competitive advantage.

### Why the other answers are not among the top three (3):

**a. Having the right skills and techniques to motivate people.**

Research shows that the skills and techniques of managers are not major factors in motivating people. The first key to a motivated organization is hiring self-motivated people and providing them with a motivating environment.

**e. Having a large number of bright, innovative people.**

Certainly having a significant number of bright, innovative people is a major advantage to a business. The difficulty is that there are not enough of these people to staff all the businesses that want them. If a company waited until it had enough of those high achievers before they launched a new business initiative, they would probably find themselves behind their competition. Successful companies need a core group of bright, innovative people to lead, develop products and services, marketing campaigns, manage technology etc. Businesses that have been leaders in their industries have developed strong business systems. These systems have run the business and people have run the systems.

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**5. Finance** – The two (2) most important elements of effective *financial planning and management* in today's business environment are:

**c. Tracking financial performance against previous periods, industry benchmarks or other standards.**

Industry leaders track their financial performance against relevant measures of success. Businesses must define long-term success by breaking it down into a broad range of financial measures. Different industries have different measures of success. Return on investment, return on equity, sales per employee, inventory turns, and shrinkage are different measures that have different levels of importance depending on your company or industry. Success in the most important measurements usually leads to overall success and knowing which measures are most important allow, management to focus on those areas.

Historical measures are also significant. Tracking your financial performance against previous periods can tell you a great deal. By noticing changes in performance regularly, managers can solve problems before they have a significant impact on the business.

**d. The ability to raise sufficient capital to fund growth.**

Growing businesses need money to continue growing. Time and again, research shows that lack of sufficient capital is among the top three reasons for business failures. In order to grow, companies have to be willing to invest in growth. They must make this investment ahead of their expected revenue. In today's competitive environment businesses must develop a unique selling proposition (see section strategy) in order to stand out they must separate themselves from the competition by offering customers a product or service that is better and different. This means hiring people, buying the needed technology and purchasing the necessary products, services and marketing and securing the needed office and warehouse space.

### Why the other answers are not among the top two (2).

**a. Preparing annual financial projections of income and expenses.**

Preparing annual financial projections of income and expenses, while important, is not sufficient by itself. Most companies prepare financial statements. This is a given for effective financial management. But you can't do effective financial planning without other measures. Too many businesses fool themselves into thinking that by hitting their income and expense targets they are succeeding.

**b. Ensuring that each department and the entire company stays within a planned budget.**

Budgets are good guidelines to start with but again, insufficient by themselves. If a business focuses on the budget without recognizing changes in the business it can encounter unexpected trouble. Entrepreneurial companies sometimes outspend their budgets when aggressive investment is needed

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**6. Technology/Internet** – The three (3) most important elements of effective *technology and Internet* capabilities in today's business environment are:

**a. Keeping current with key trends and adapting your business accordingly.**

Trends in technology shift rapidly and those shifts can have a major impact on a business. The Internet is the most obvious example. Only a few years ago it was a novelty and only a small percentage of companies were significantly affected by it. Companies that did not follow this trend lost an opportunity to incorporate the Internet into their business model. Adapting to the impact of technology takes time, and if businesses don't keep current with major changes they will find themselves left behind.

**d. Having a culture that embraces and utilizes technology and the Internet.**

Tracking key trends in technology is the first step in remaining competitive. But to truly use technology as a business advantage, companies must build an organization culture that enjoys the challenge of new technology and sees it as an opportunity to improve the business. This involves investing in the right equipment, software and training. It also means hiring people who have the skills and motivation to use technology effectively.

**e. Having the tools that make technology and the Internet easy to learn and use effectively.**

The final step in the process of harnessing technology to support your business strategy is making the technology you have easy to use. Many businesses forget the people side of technology. If the people who need to use the technology can't use it efficiently and effectively it won't work for you. Savvy businesses design technology to be used easily and quickly by all levels of the organization. This means surveying employees to find out what they need from the technology. This can be accomplished by questionnaires, focus groups and learning the best practices used by leading companies in the industry. Guidelines for purchasing the right software and hardware should be developed. Then, implementation and training is completed, making changes based on continuous feedback from employees.

### Why the other answers are not among the top three (3):

#### **b. Training the largest number of people to use technology / the Internet.**

Training large numbers of people is expensive, often impractical and ineffective. In most businesses large numbers of people don't use technology or if they do, only use the most basic kinds. Research has shown that people remember less than 20% of what they were taught immediately after they learn it. Retention usually drops to about 10% after a few weeks. Training is most effective when it targets specific groups who have a specific skill they need to learn. Usually smaller groups of people are those that need to learn advance skills.

#### **c. Having more advanced technology than your competitors.**

Having the best technology is often important but rarely is it a prerequisite for success. Industry leaders in technology usually don't have the best technology. Microsoft, for example, is often criticized for having mediocre technology. Their competitive advantage comes from extraordinary marketing and brand recognition, financial strength and being the first to market in product areas that customers want. Even a company like Intel, while sometimes a technology leader, most often does not have the most advanced technology. By branding a computer chip, something that nobody else thought was possible, they created a huge advantage that had nothing to do with technology.

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## **7. Product and Service Development** – The three (3) most important elements of effective *product and service development* in today's business environment are:

#### **a. Understanding how your customers use your products and services.**

Average companies try to put themselves in the shoes of their customers. Great companies survey, talk to and observe their customers constantly. They don't assume they know how and why customers behave the way they do. They make it a core part of their strategy to learn not only the current needs of their customers, but also what they will want in the future. Take the case of the sports utility vehicle versus the minivan. For years automakers spent millions designing and redesigning the minivan to suit customers needs. During the years of trying to learn what customers wanted they missed two key factors: design and status. While minivans are much more practical and economical, well to do baby boomers thought of their vehicles differently than car companies thought. They wanted room to carry a lot but they also wanted an image. It took years before many of them understood this. Unless you understand how your customers really use your products and services, you won't get the most from them.

#### **b. Having a culture that rewards continuous improvement of products and services.**

In order to develop superior products and services it is necessary to build support for excellence from a variety of sources. A culture of product and service excellence begins by investing in talented people and rewarding them for top performance. Rewards can come in the form of salary and incentive bonuses, stock options and other tangible benefits. But equally important is investing in the resources

that allow the creative people to create to their potential. This includes the right equipment, research facilities, access to outside expertise and the freedom to take risks.

**c. Having a core group of creative, innovative people.**

In order to get results from this culture you need the right mix of people. Creativity and innovation are central to product and service development. You need a strong team of “out of the box” thinkers who will stretch the limits of their imagination. These people need to be willing to fail in order to achieve breakthroughs. Successful product and service development means trying new and different approaches, testing, modifying and trying again.

**Why the other answers were not among the top three (3):**

**d. Matching or beating competitor pricing.**

Price is one of many factors in a buying decision. Having prices near or lower than your competitor is not necessarily an advantage. Many companies offering low prices are at a disadvantage. For one thing, low prices usually mean a lower profit margin. Increases in the cost of goods, personnel or other expenses can erode margins or force the company to raise prices. If you are competing only on price, you are more prone to competition. It is much easier to copy low prices than exceptional service or unique products.

**e. Having a wider selection of products and services than your competitors.**

Having a wider selection of products and services than your competitors can be an advantage in some situations, but it is definitely not a critical element in being a successful business. In the days before easy transportation, shopping malls and the Internet, wide selection was essential in most businesses. But, over the last several decades we have seen many businesses, particularly retailers, suffer because they tried to be all things to all people. Specialty retailers have hurt department stores, as one example. Customers like a wide selection, but they don’t want it at the expense of getting exactly what they want. Businesses offering a wide selection have a much more difficult time marketing and merchandising. In a world of seemingly endless choices and intense competition, customers want to know what a company stands for. It is easier for niche business to denote itself than one trying to appeal to a broad range of needs.

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## RESOURCE GUIDE

### BOOKS

*The Discipline of Market Leaders Competitive Strategy by Michael Porter*

*Differentiate or Die by Jack Trout*

*The New Positioning by Jack Trout*

*Getting Everything You Can Out of All You've Got by Jay Abraham*

*The E-Myth Revisited by Michael Gerber*

*Managing for the Future by Peter Drucker*

### PERIODICALS

The Harvard Business Review

Strategy and Business

The Industry Standard

Inc. Magazine

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