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Exploiting Market Opportunities and Conquering Threats using the Strategy Star technique
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Abstract

Strategies are developed to guide an organisation toward its goal. Sometimes the organisation adopts tried and tested strategies and thereby simply does more of the same year after year. When major strategic change is eventually required to keep pace with the competitive nature of the market-place or in the light of new technology, generic strategies might not always suffice. What is then needed is a way to transcend the existing paradigms of strategy development, i.e. a process by which management effort can be focussed upon using the firm’s established strengths to exploit perceived market opportunities and conquer external threats, while concurrently improving its internal weaknesses.

Introduction

Entrepreneurs are the primary decision makers in emerging organizations. As such, they are likely to have to make a larger number of significant strategic decisions than the average person. As the top decision makers they are likely to frequently face complex and novel decisions, where no predefined solutions exist. For this reason, entrepreneurs need more than popular generic strategies – they need a way to tailor specific strategies to their specific needs.

If one of the goals of a business is to maximise owner value, it follows that an effective strategy is one that contributes to the maximisation of owner value. This places strategy in a critical supportive role to goal achievement. It is likely that even a single goal, such as maximisation of owner value, will give rise to any
number of strategic options that could contribute to its ultimate achievement. The effort should go into deciding the optimal route to goal fulfilment, rather than trying to guess the future – a pursuit often referred to as ‘star-gazing’.

Business decision makers have become more conscious of the potential conflict between expediency and sustainability, being well aware of the inextricable linkage between social and economic relations, as economic goals are invariably embedded within socially-oriented structures (Granovetter, 1992). Thus what may appear to be owner value maximisation in the short term, may be just the opposite in the long term, and vice versa. Most likely, there will be some potential strategies that are opposed to each other or mutually exclusive, or at least not concurrently pursuable.

Furthermore, beyond the time-scale consideration implicit in the expediency-sustainability dichotomy, every business decision implicitly contains an ethical element, even if it is not immediately obvious (Robinson, Davidsson, Van der Mescht and Court, 2006). Fligstein’s (2006) assertion that managers are often required to satisfy multiple goals, which have complex interdependencies, is pertinent. Indeed, ignoring the ethical dimension in any strategic decision could be suicidal to the firm in the longer term.

The owner-managed business is arguably, even more than corporate business, dependent on most decisions being made by the entrepreneur personally. While entrepreneurs generally have been accused of tendencies toward “compulsive behaviour” (Banfe 1991:23), the reality of entrepreneurship is that there is usually very little time for reflection and often no one else to consult for strategic advice.

To provide entrepreneurs and others with a way to address such problems, this paper illustrates the application of a technique, known as the Strategy Star, to assist decision makers in formulating strategies that support, enhance and achieve the business goal(s).

*Literature review*
The ‘entrepreneur’ is defined as an individual who creates something of value and assumes the risk of building a business around it (Robinson, 2005). Without ignoring arguments for other definitions of delineations (Davidsson, 2004; Shane & Venkataraman, 2000), by adopting this as our working definition, the authors mean to include both business founders and ‘social entrepreneurs’ (Brinckerhoff, 2000; Kourilsky & Walstad, 2003) and exclude those who pursue innovation and change within the confines of employment for a large organization (Sharma & Chrisman, 1999; Stevenson & Jarillo, 1990; Zahra, 1993) or as a hobby, without taking on the risks associated with venture creation and growth.

A purely economic motivation has, on occasion, taken primacy but economic necessity rather than the dream of becoming rich has then been the primary motivator (Solymossy, 1997). For the entrepreneur, although there is a wide variety of choices, there is usually very little time for reflection and often no one to consult for advice. The Strategy Star not only accommodates this but also turns it into a strength. Instead of entrepreneurs having to ‘fit the problem to a generic solution’ in order to adopt a conventional strategy, they are enabled to define their current problem or opportunity exactly as they perceive it to be, and then construct a tailored strategy that links directly with the goal of the company.

*Introducing the Strategy Star technique*

The generic form of the Strategy Star is illustrated in Figure 1 below:
The following logic is used in constructing the Strategy Star:

In order to achieve a desired outcome (O), X is a necessary condition;
In order to achieve the same desired outcome (O), Y is now also a necessary condition;
Therefore, X and Y are BOTH necessary conditions to achieve the desired outcome (O);
Now, in order to have condition X, Z is a necessary action for the creation of condition X;
And, in order to have condition Y, –Z, is a necessary action for condition Y;
But -Z is an action that opposes Z;
Therefore it is not possible to action both Z and –Z;
[Thus it appears as if either condition X or condition Y appears to be unobtainable, which would render the goal O unachievable]
As the purpose of constructing the Strategy Star is to discover a strategy that will allow both X and Y conditions to exist concurrently, the following steps are then used to accomplish this:

1. Imagine any situations where X and –Z co-exist, and
2. Imagine any situations where Y and Z co-exist, then
3. Determine what is the common element in these situations. This is a trigger for the development of a strategy that will work for your firm.
4. Test the envisaged strategy's impact on X and Y and adjust it accordingly.

Once the strategy has been articulated in such a way that it facilitates both X and Y, we are ready to involve any and all stakeholders. [A stakeholder is someone who is affected by the strategy OR will be involved in its implementation]

The Strategy Star is not designed to replace those tried and tested generic solutions such as (Porter’s 1996) differentiation, focus, niche, and those strategies emanating from the use of techniques such as SWOT, but it adds to the strategic management discipline by facilitating a way of reasoning that incorporates both hard (X) and softer (Y) issues in a synergistic way. The Strategy Star has also been applied extensively in the resolution of ethical dilemmas (Robinson, Davidsson, Van der Mescht and Court, 2006).

Application of the technique

The following worked example shows how a tailored strategy can be created by employing the Strategy Star. Suppose you are the managing director of The Go-Ahead Company. You company has been growing steadily for the past 5 years, you have captured the majority share of the market in your immediate geographic region and you now wish to expand more rapidly. One of the popular generic strategies you might adopt is the franchising model. Selling geographical franchise rights offers you an opportunity to bring in money and expand the brand quickly, but you are reluctant to go down that path, even though many advisors have urged you to do so. The Strategy Star can be used to clarify this strategic
issue and to help you find the strategy that is most congruent with your beliefs and principles. Hence:

**Objective: Successful Business**

X: Accelerated Growth

Y: ??????????????

Z: Franchise

-Z: Do Not Franchise

The source of your discontent is that you haven’t fully defined the Y condition, i.e. the belief, principle, value, ethic or constraint. To complete the star, we need to apply the logic, thus:

- In order to achieve a successful business (O), accelerated growth (X) is a necessary condition;
- Now, in order to have accelerated growth (condition X), franchising (Z) is a necessary action;
- And, in order to have condition Y, –Z, is a necessary action for condition Y;
- But -Z is an action that opposes Z, i.e. Do Not Franchise

In defining the Y condition, we can approach it from two angles. Firstly, we can ask the question: *Why do we want –Z, i.e. What is it that causes us to reject the notion of Z.* In this case, the answer turns out to be that we wish to ‘retain control’. Thus, the Y condition can be stated as *Retain Control.* This can then be checked against the objective by stating: *In order to achieve a successful business (O), retaining control (Y) is a necessary condition.* The logic is feasible, therefore we can conclude that the Strategy Star is complete. But complete is not to be confused with correct. Every Strategy Star will be flawed. It is precisely in that flaw that the solution lies, just hidden from view.
Since Z and \(-Z\) are incompatible, it appears as if either condition X or condition Y is unobtainable, which would render the objective unachievable, or at best sub-optimally achieved. To achieve the objective optimally, we need both X and Y, so we now need to find a way to have either X AND \(-Z\), or Y AND Z existing together. Thus: Can we find a way to have accelerated growth (X) without franchising (\(-Z\)) OR to retain control (Y) with franchising (Z). The answer is found in a business growth strategy known as licensing, which is similar to franchising, yet allows accelerated growth without loss of control.

*Exploiting market opportunities and conquering threats*

Having seen how the Strategy Star is used, we can now extend its application to any case where a market opportunity is recognised and we wish to exploit it (by writing it at Z and the hard-nosed business reason at X) and a potential threat is perceived (by writing it at Y, with the addition of the word *Avoid* in front). For example: There is a market opportunity to export your product into a developing country (country A), and there is the threat of your product being copied locally. Thus:

O: Grow the business

X: Enter new markets

Y: Avoid local copying

Z: Export to country A

-Z: Do not export to country A
The Strategy Star allows management effort now to be focussed on either entering new markets other than country A OR going ahead and exporting to country A while protecting the IP in that market.

Conclusion

The Strategy Star can be used to:

- Deliberate with regard to complex and/or novel decisions, where no predefined or appropriate generic solutions exist.

- Focus management effort to use the firm’s established strengths to exploit perceived market opportunities and conquer external threats, while concurrently improving its internal weaknesses.

- Assist decision makers in the formulation of strategies that support, enhance and achieve the business goal(s).

- Alleviate the conflict that arises when two opposing actions are envisaged as being strategically necessary.
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