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Key success factors

These are the things that a business must be able to do exceptionally well if it is to attain a leading position in a particular market. For example, in the highly competitive world of the major supermarkets the key success factors include:

- site location and acquisition;
- average store size;
- IT systems linking point of sale to logistics;
- accurate and rapid feedback from consumer research;
- purchasing power.

Key decisions

Strategic decisions are ones that are of fundamental importance to the business, but will not prove to have been right or wrong for some considerable time. For example, the decision to make an acquisition of another company will normally take at least two to three years before a realistic view can be taken as to whether or not it was a sound decision. Strategic decisions are normally such that they are irreversible or at least can only be reversed at considerable cost.

Among the most important decisions are ones to do with the allocation of resources, particularly *the allocation of capital*. An obvious example is the choice between funding organic growth and funding growth by acquisition.

Capabilities or competences

These are the distinctive competences that are difficult for competitors to copy and which are linked to the achievement of a competitive advantage in a particular market.

Hamel and Prahalad (1994) introduced the concept of core competences. These are defined as bundles of skills and technologies that enable a company to provide a particular benefit to customers. To be considered a core competence a skill must pass three tests:

- It must make a disproportionate contribution to customer value.
- I it must be competitively unique.
- I it must be applicable to a range of products.

They argue that the firm should be regarded as a collection of core competences rather than a portfolio of assets.

Implementation

A sound strategy is of little value if implementation is weak. Implementation begins with planning and scheduling. It involves decisions about such things as organisational structure, the allocation of resources and the level of risk that is acceptable. It also involves leadership as well as managerial skills, particularly when, as is often the case, the adoption of a particular strategy involves major organizational change.

Sustainable competitive advantage

This is what the strategy is designed to achieve - a position in the market such that the company is not only able to earn a higher profit margin than its competitors, but is able to sustain that position over a significant period of time. In the world of the 21st century the 'significant period of time ' may be quite short, particularly in the case of industries characterized by rapid technological developments. The implication is that, depending on the speed of change that characterizes a market, companies will need to carry out strategic reviews at appropriately frequent intervals.