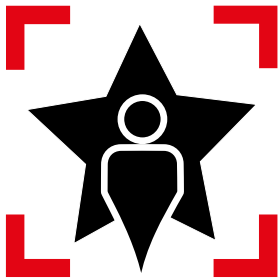




InSIGHT

# STRATEGY IS THE ESSENCE OF ENTREPRENEURSHIP

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# STRATEGY MAKES THE DIFFERENCE

Think about the companies that you would characterize as truly entrepreneurial. In your industry or elsewhere. **What makes them stand out? What defines their entrepreneurship?** Small chance it is their smooth operation, or their ability to fine-tune activities. Nor the fact that they increased market share by whatever percentage points. It is the bold and courageous choices they made. Or, in other words, it is their strategy.

**B**usinesses create value. For customers, for society and for shareholders. If they don't; they will cease to exist. There are many ways to create value. But if you boil it down, they all roughly fall in one of two categories: operational excellence and strategy. Of these two, strategy carries the long-term value creation potential.

**Yet, most companies shy away from making real choices.** At a time when the word entrepreneurship is on everyone's lips, the business plans of many companies focus only on operational excellence. They choose the safe bet of gradual improvement and the comfort of the peer group. They prefer 'being no more wrong than any of the rest' over creating differentiated positions that do not yet exist.

There is nothing wrong with being ambitious about the market share you want to obtain, or the performance improvements you want to realize, nor with best practice implementation, benchmarking initiatives and business process reengineering. These are all essential to building an ever better business. But that does not create the basis to structurally outperform your competitors. If you really want to make a difference, if you want to reshape or redefine your industry or realize exceptional results (in growth and/or profitability) you have to be special, you have to be unique.

**The sole purpose of strategy is creating a unique position.**

It is the outcome of a process that takes a close look at the context in which a company operates. It identifies new ways of serving customers. Good strategy leads to real choices and a commitment to a new way of creating value. It defines a truly different mix of connected and reinforcing activities aimed at delivering that value.

***Strategy redefines the way in which companies create value; that makes it the essence of entrepreneurship.***



## *The art of the manager*

# OPERATIONAL EXCELLENCE

Operational excellence is about continuously improving business activities. It is essentially a managerial activity. Through measurement and benchmarking, managers identify areas of improvement and apply -proven or novel- processes and systems to increase efficiency.

The impact on the business is clear, but always limited. Others can, relatively simply, use the same benchmarks and copy best practices. So any competitive advantage achieved through operational excellence will be short lived. However, operational excellence is essential for any business. You have to get your act together. If you don't, you will be wasting valuable time, energy and money. And your inefficiencies will, one way or another affect customers. That makes operational excellence a pivotal element in value creation for any company.

It is a mostly internal approach to business. Although benchmarks and best practices may come from outside, the focus is first and foremost on the company itself, on its activities, processes and systems. Operational excellence focuses on things you can control and predict; it avoids uncertainties.

**The key to operational excellence is perseverance, the never-ending drive to do things better, eliminate waste and squeeze the lemon. It requires the firm grip of a manager.**

## *The art of the entrepreneur*

### **STRATEGY**

Strategy defines new and unique ways to create value. It makes use of market dynamics to create long-term, differentiated positions. It identifies specific needs of customers and develops unique concepts to meet those needs, through novel combinations of activities.

It is a truly entrepreneurial activity.

Strategy confronts uncertainties, aims to understand the implications and finds a way to deal with them. It is primarily externally focused. It is a creative process, where a mix of deep insight, smart development, and trial and error topped with some appetite for risk breeds unique and differentiated concepts.

More than just confronting uncertainties, strategy also adds uncertainty. It leads to choices where there is no predictable outcome, as they essentially create new market segments or even an entirely new business. Taking a position in such a way will appeal to some customers who see the value it will bring. Others may be turned off or confused by such a new approach. It takes guts to really choose, to commit to something; especially in a world of change and uncertainty. Strategies will only bring value if real choices are made, combined with a strong and lasting commitment.

The impact of strategy can be tremendous, but it carries a high degree of uncertainty. Differentiation inevitably means breaking the mould. That requires the courage and conviction of an entrepreneur.





### **About the author**

Maurits Croon founded Studio Croon to assist B2B companies in unlocking their strategic and commercial potential. Maurits brings thorough understanding, built in roles as advisor and investment manager, and hands-on experience from senior management roles in multinational B2B companies.

His energetic and committed approach results in clear choices and pragmatic plans.

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