

Introduction to ITC's Service Strategy Template

Executive Forum – 2005

Montreux, Switzerland

Why?

- Because services are 'different'
- Being 'competitive' is not enough
- Intangibility & higher perceived buyer's risk
- Lack of quantitative data
- Heterogeneous multitude of services
- Fragmentation of many service sectors
- Disaggregated private sector leadership
- Inherent 'product' bias in national strategy
- Different modes of delivery for same service

4 Different Modes of Delivery

- GATS Modes – useful for analysis but private sector thinks in terms of Margins not Modes
- GATS Mode 1 or Cross Border
- GATS Mode 2 or Consumption Abroad
- GATS Mode 3 or Commercial Presence
- GATS Mode 4 or Temporary Movement
- Combinations are frequent

The Template - What is it?

- An analytical and decision making tool for sector level export strategy
- May be thought of as an 'Operating Manual' for export strategists
- Guides the design, implementation and management of export strategy for service sectors

What does it actually do?

- 'Untangles' the complicated and inter-twined issues that go into the strategy formulation and implementation
- Identifies upfront the critical variables that need to be reviewed in strategy formulation and implementation
- Introduces a systematic and ordered approach to the sector strategy making process
- Facilitates the movement from 'planning' to concrete and tangible actions

What it isn't

- It's internally consistent but it's not perfect, no strategy tool ever is
- It's not fixed but should 'evolve' with use according to the strategist's needs
- It's not the only way to approach sector strategy formulation
- It's not set in stone but can and should be customized

High Level Process

Template -Tool Kit



Strategy Team



Export Strategy Document



Action & Implementation

The Strategy Team (ST)

- Private-Public Sector Partnership
- Ideally led by the private sector and supported by the public sector
- ST members should bring with them a mix of business acumen, technical proficiency and political clout
- Choice of ST leader is crucial

The Logic behind the Template

Vision (where do we want to be in 3-5 years time)

Perspectives (takes into account the viewpoints of the various stakeholders)

Strategic Objectives (what do we intend to achieve for each perspective)

Initiatives + Targets (what needs to be done to achieve the strategic objectives)

Responsible Stakeholders (who will be responsible for implementing initiatives)

Resource Allocation (identifies and allocates needed resources to implement plan)

Plan of Action & Implementation Schedule

Components of the Strategy Template

5 Modules

- **Module 1 - Getting Started**

- (main features and approach to strategy making)

- **Module 2 - Conceptual Framework**

- (introduces 12 Best Practice criteria to strategy design, implementation and mgt)

- **Module 3 - Gathering of Baseline Data**

- (qualitative & quantitative assessment of where we are now)

- **Module 4 - Identifying Strategic Options**

- (using value chain principles to improve sector's prospects)

- **Module 5 - Finalizing the Strategy**

- (leading to decisions re redirection of strategy, priorities and plan of action with timeframes + targets)

Module 1

Getting Started

- Introduces concept of Strategy Team
- Introduces the Template's approach
- Recognizes need for effective PPP in strategy development & implementation
- Identifies sector stakeholders that should be represented on Strategy Team

Module 2

The Conceptual Framework

- Module 2 is a preview or summary of what lies ahead based on 12 Recommendations or Best Practice Criteria
- 12 Best Practice Criteria for Strategy Design & Management covering 4 main areas:-
 - Process Definition
 - Sectoral Analysis
 - Focus & Priorities
 - Formulation & Implementation

Process Definition

(Best Practice Criteria)

- 1. Ensure private sector leadership and public sector support
- 2. Ensure comprehensive scope by focusing on Border-In, Border, Border-Out, Credibility & Development Issues
- 3. Ensure adequate response to needs of Current Exporters, Aspiring Exporters & Potential Exporters (by GATS Modes)

Sectoral Analysis

(Best Practice Criteria)

- 4. Thorough understanding of sector
 - (identify natural and likely competitors, review of main markets, current approach to export development)
- 5. Apply & adapt value chain analysis
 - (principles of value retention, value addition, improving efficiency, entering new value chains etc)
- 6. Review of essential business support services
 - (eg. market intel, banking, QA, competency development, network development etc)
- 7. Assess available resources
 - (i.e. finance, insitutions, programs & people etc)

Focus

(Best Practice Criteria)

- 8. Create a vision
- 9. Specify priorities

The above are probably the most sensitive issues in the sector strategy process and the most risky in terms of possible internal dissent due to lack of alignment of Strategy Team Members

Formulation & Implementation (Best Practice Criteria)

- 10. Formulate a plan of action

(i.e. state strategic objectives, describe initiatives, allocate resources, devise implementation schedule etc)

- 11. Establish framework for managing and monitoring strategy

(i.e. define targets, apply monitoring & impact measures)

- 12. Formalize the PPP for strategy implementation

Module 3

Analysing Baseline Data

- Identifies 'Natural' & 'Likely' Competitors
- Benchmarks national business environment for the various GATS Modes of supply
- Evaluates the main markets and sector's current performance
- Assesses the service sector's current export strategy (if one exists)

Module 4

Confirming Strategic Options

- Builds on analysis of sector performance in Module 3
- Identifies options that could be pursued under the sector level strategy
- Completes analysis of service sector or sub-sector value chain
- Prepares a SWOT analysis for service sector/s
- Prepares work plan to assess the quality of business support services available to pursue identified options

Module 5

Finalizing the Strategy - I

- Build on value chain and SWOT analysis of Module 4
- Evaluates the ability (and resources) of key organizations within the business support network to implement the strategy
- Completion of review and decisions to finalize the Strategy Document taken e.g. setting of strategic objectives, allocation of resources, management of implementation etc.

Module 5

Finalizing the Strategy - II

- Strategy Team meets, sets the priorities and prepares a Plan of Action
- Use of a Facilitator during the consultation process is recommended
- One person from Strategy Team designated to draft the Export Strategy Document
- Framework for managing and monitoring implementation of the strategy is set up

The End Result of Modules 1-5

More than paper ...

The Export Strategy Document

- Document drafted (Module 5)
- Set up 'Stakeholders Meeting/s' for consultation purposes
- Endorsement by stakeholders & formalization of the PPP
- Start of implementation phase led by Strategy Team with co-ownership by the main Stakeholders

Customizing the Template

Factoring in Credibility in the Strategy Gears

- A 'gear within a gear' is added to take into account the issue of credibility
- Competitiveness in services exports is often not a function of price-quality but credibility
- Credibility is a function of trust, track record & the attainment of internationally accepted standards, adoption of recognized QA mechanisms, SQAM (ie. Standardization, Quality, Accreditation, Metrology)

Customizing the Template for Services - Examples

- ‘Credibility’ - development of initiatives aimed at boosting credibility at enterprise and sectoral levels
 - (eg. certification, accreditation, objective verification, sectoral credibility Vs enterprise credibility etc)
- Inclusion of ‘Capacity Concentration’ as a ‘Border-In’ issue that needs to be addressed by the strategy
 - (i.e. capacity concentration in addition to capacity development, capacity diversification, competency development etc)
- Coping with inadequate data and information data via use of proxies and sectoral surveys
- Modifying the ‘Value Chain’ concept for services

Customizing the Value Chain Concept for Services - I

- Guiding principles are same as for product based sectors i.e. to increase competitiveness by moving enterprises up the value chain through value retention, value addition etc.
- ‘Added Value’ is often not measurable and does not always have a clear ‘price tag’
- Contrary to product based value chains, much of the value within service value chains is generated ‘internally’ by the enterprise – ‘internal’ value addition

Customizing the Value Chain Concept for Services - II

Contrary to product based value chains:-

- Service suppliers often have a greater say in determining the value (i.e. final price) of the service
- Service firms have a greater capacity to customize the offering and in doing so add further value within the value chain
- Often much of the value within service value chains is generated before the service is actually completed or provided

Customizing the Value Chain Concept for Services - III

- The more critical the service to the client, the higher the ascribed value and the greater the credibility requirements
- The more complex the service, the deeper the buyer-seller relationship and the greater the value within the chain
- The greater the customization, the higher the value in the chain and the greater the internal value addition

Value Chain Examples Used in Template

Examples derived from actual case studies

- Business Services
- Customized Software
- Standard Software
- Construction Services
- Medical Services
- Turnkey-Type Services
- Book Publishing Services
- Printing Services

Last Words

- Offers suggested guidelines for action – but how you use it is up to you
- Provides a structure for analysis and decision making
- Brings together people who can make it happen
- It's not a stand alone thing – works well with other ITC tools and services
- You have to work at it to make it work!

**Strategy templates do not
make make strategies
that work –**

People do!

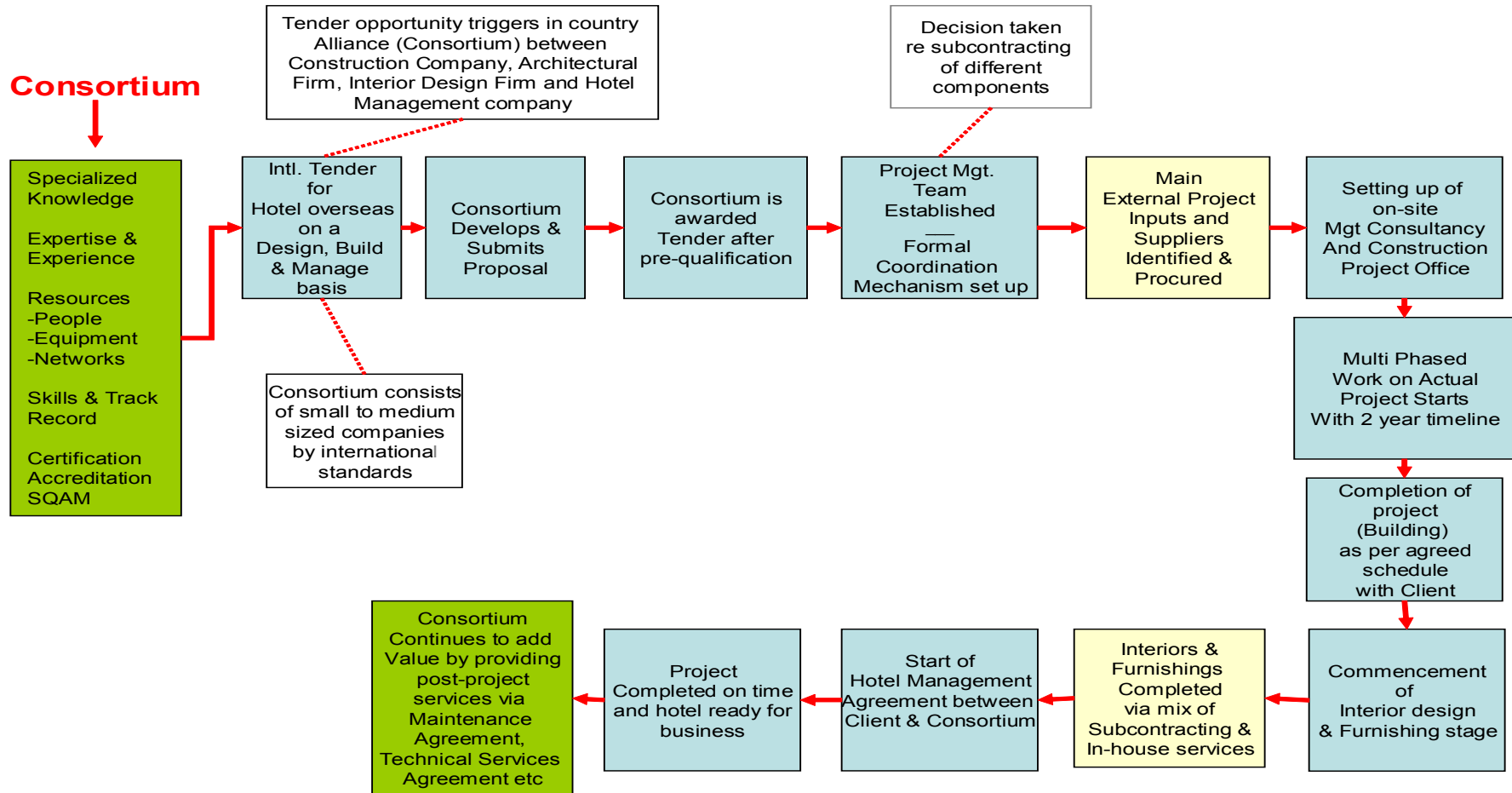
Thank You

Supplementary Slides

**Some Modified Value Chain
Examples for Services**

Value Chain Example - Construction

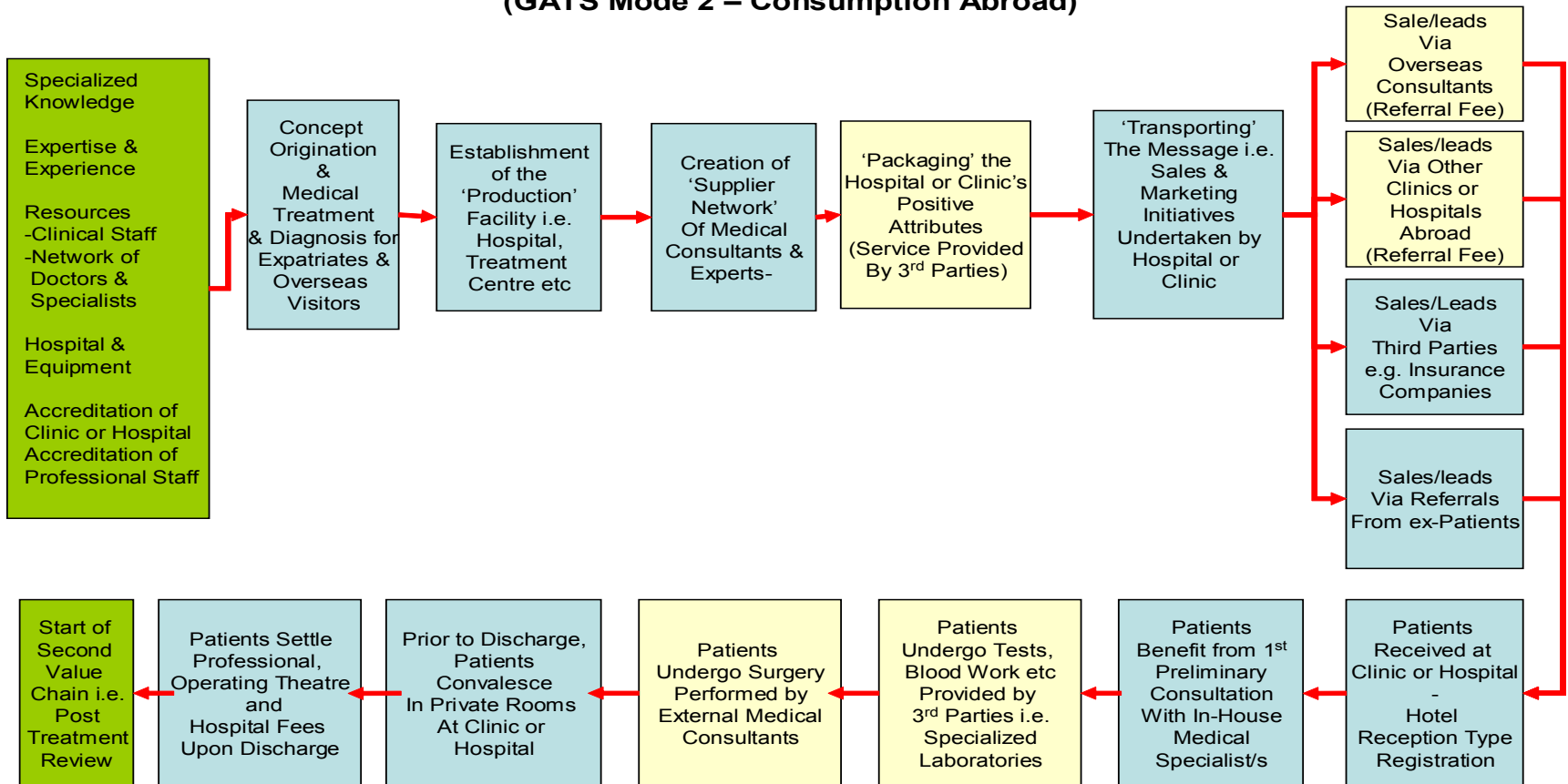
A Generic Value Chain for 'Bundled' Construction Services (Modes 1 to 4)



Value Chain Example - Medical

A Generic Value Chain for Medical & Clinical Services

(GATS Mode 2 – Consumption Abroad)

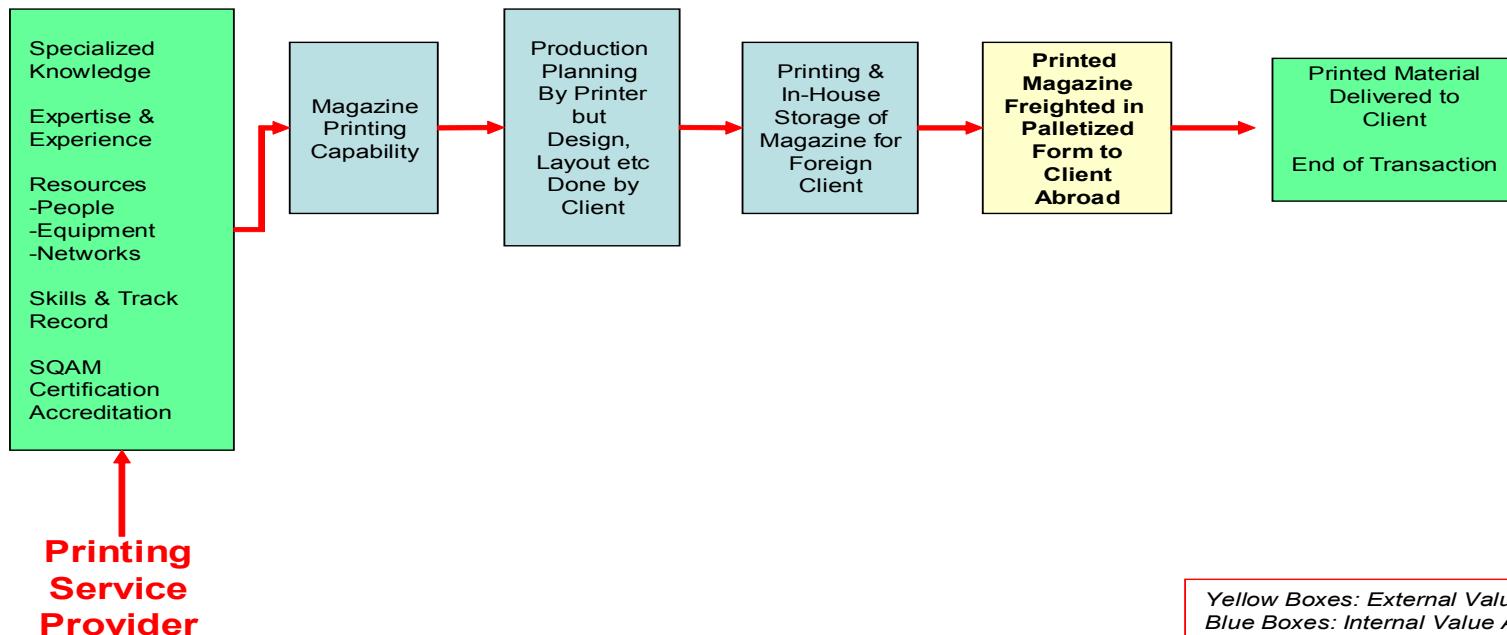


Example - Value Capture & Retention: Printing Service - I

Capturing & Retaining Greater Value

Example: Value Chain for Printing of Magazine for Overseas Distribution

Before



Example - Value Capture & Retention: Printing Service - II

Capturing & Retaining Greater Value

Example: Value Chain for Printing of Magazine for Overseas Distribution

