AIHR | ACADEMY TO INNOVATE HR

// AIHR Resource



Strategy Formulation

TOOLKIT

Introduction

Welcome to your strategy formulation toolkit! This resource will help you contribute confidently and actively to the formulation of business strategy. You'll work through four structured activities that will help you:

- Understand the jobs your customers are "hiring" your business to do.
- Assess growth options through a fit versus risk lens.
- Outline a strategy from approach, to intent, to type.
- Identify your business's core capabilities using the value chain.

Each section includes practical exercises, examples, and reflection points to support immediate application.

You can use this resource on your own in order to contribute to strategy discussions with your leadership team, or use this guide with your leadership team to facilitate a strategy alignment workshop.

Table of contents

1 // **Using the jobs-to-be-done framework**

2 // **Fit vs. risk analysis**

3 // **Defining the mechanisms of strategy**

4 // **Identifying core capabilities with the value chain**

5 // **Final reflection**

Using the Jobs-to-Be-Done Framework

As an HR leader, your role extends beyond internal people processes. You play a key part in helping your business understand and meet customer needs. This section provides a practical walkthrough and template to guide you through jobs-to-be-done (JTBD) customer interviews, helping you gather insights that directly inform business strategy.

You'll approach JTBD interviews in three phases:

- **Phase 1:** Prepare and select interviewees.
- **Phase 2:** Conduct the interview.
- **Phase 3:** Analyze insights and write job stories.

PHASE 1 // Prepare and select interviewees

Step 1: Identify customer segments

List your key customer groups (e.g., enterprise clients, retail consumers, specific industries).

Job executor(s): the end user(s)

Buyer(s): not using the product, but has authority or budget to approve or make the purchase

Beneficiary(/ies): not using the product, but derives benefit from its use

Influencer(s): current or former users who have the ability to shape others' purchasing decisions

Step 2: Choose interview candidates

Based on the segments you identified in the previous step, continue to narrow your search for customers to interview.

- *Customers who currently use your product or service*
- *Customers who have switched to a competitor*
- *Customers who have stopped using your product altogether*

Tip

Aim to interview five to ten people in each group to capture diverse experiences.

Step 3: Map the customer journey for each group

Consider:

What are the typical touchpoints from awareness to purchase and usage?

Where are the key moments of frustration, delight, or decision-making?

Customer group:

Key customer journey steps:

Step 1:

Step 2:

Step 3:

Notable friction/success points:

Customer group:

Key customer journey steps:

Step 1:

Step 2:

Step 3:

Notable friction/success points:

Customer group:

Key customer journey steps:

Step 1:

Step 2:

Step 3:

Notable friction/success points:

Customer group:

Key customer journey steps:

Step 1:

Step 2:

Step 3:

Notable friction/success points:

PHASE 2 // Conduct the interview

Now, it's time to uncover what triggers customer behavior. Set the tone by approaching with genuine curiosity. Focus on understanding, not selling or persuading. Ask open-ended questions and give customers the opportunity to narrate their real experiences. Use structured interview questions and be sure to ask all your groups the same questions.

Questions could include:

1.	What triggered you to start looking for [product/service]?
2.	Walk me through how you made your choice.
3.	What was the hardest part of the process?
4.	What made you decide on [our product/competitor/no purchase]?
5.	What would have made the experience easier or better?
6.	What alternatives did you consider?
7.	What outcome were you hoping to achieve?
8.	What outcome did you achieve?
9.	
10.	

Tip

Probe deeper with follow-up questions like, “Can you tell me more about that?” or “What was going through your mind at that point?”

PHASE 3 // Write job stories

Your goal: Identify key jobs your customers are hiring for and articulate the jobs clearly and succinctly.

Step 1: Spot recurring patterns

For each customer segment, analyze:

What needs, frustrations, or goals do customers mention most often?

Where do customer expectations not align with the product experience?

Step 2: Write job stories

Use this simple structure to capture customer needs:

Example: "When I get thirsty on the go,

I want to have water that's easy to carry,

so I can hydrate without needing to stop."

Tip

Focus on the customer's situation and desired outcome, not your product.

When I

I want to

so I can

Step 3: Reflect on strategic implications

Now, take a moment to consider the job stories for each customer segment.

- How well is your organization meeting these job stories?
- Are there gaps you could address through product, service, or employee experience improvements?
- Where might talent strategy (skills, hiring, development) need to shift to better meet these needs?
- Are we meeting these needs well?
- Where are our capability gaps?
- What opportunities could we explore?

By completing these interviews, you'll gain a clearer picture of what customers really hire your company to do. This will position you to align strategy, people, and processes around real value creation.

Fit vs. Risk Analysis

In your role as part of the leadership team, you can play a pivotal role in assessing the strategic options of your organization by combining insights into customer needs with practical risk evaluation. This section introduces you to the CRAFT framework to assess your company's fit with opportunities, followed by an adapted version of the Ansoff matrix to evaluate strategic risk.

Step 1: Use the CRAFT framework to assess strategic fit

The CRAFT framework helps you determine if your organization has the internal fit to pursue a particular opportunity. Use it to assess your strengths honestly before considering external market expansion.

CRAFT dimension	Guiding questions	Your notes
Context	Does this strategy fit the here and now: the current market, culture, and operating environment?	
Relevance	Is the strategic choice still meaningful to today's customers, workforce, and market demands?	
Alignment	Will this choice move us closer to where we want to be in the future?	
Feasibility	Is this something we can realistically do?	
Trade-offs	What are we losing out on if we take this strategy right now?	

Now, select two to three of the best-fitting opportunities based on your analysis against the CRAFT dimensions.

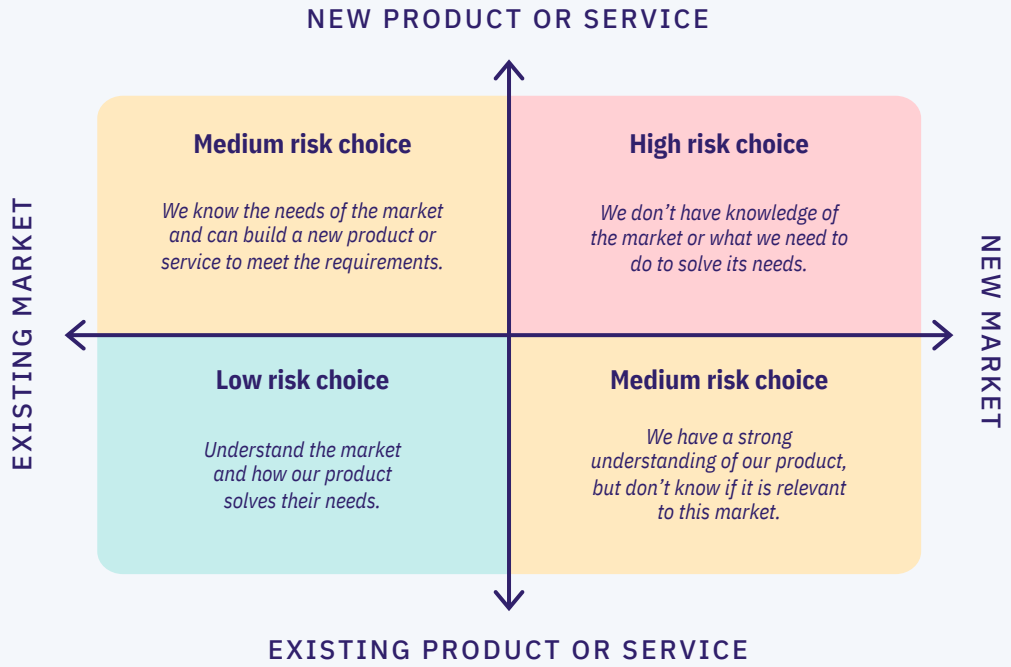
Opportunity		Opportunity		Opportunity	
Key strengths		Key strengths		Key strengths	
Potential gaps or risks in CRAFT dimensions		Potential gaps or risks in CRAFT dimensions		Potential gaps or risks in CRAFT dimensions	

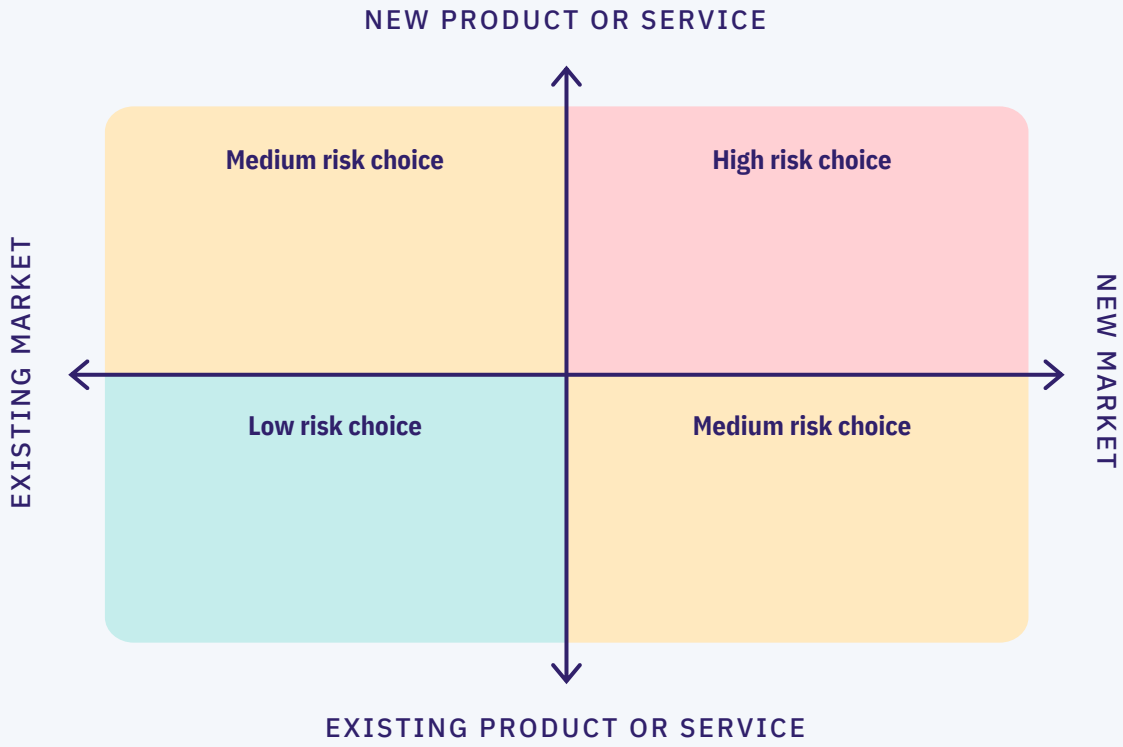
Tip

Use the CRAFT framework collaboratively in leadership sessions to align perspectives on readiness.

Step 2: Plot options on the matrix

With fit established, it's time to assess the level of risk associated with various growth paths. This tool maps options along two dimensions: new or existing products/services and new or existing markets/customers.





Step 3: Linking fit and risk to strategic choices

For each customer segment, analyze:

What strategic moves seem most viable based on fit and risk?

Where does HR need to enable or accelerate capability building?

What talent risks should we monitor if pursuing high-risk options?

Defining the Mechanisms of Strategy

Now that you've identified a strategy that fits your organization and matches the appetite for risk, it's time to hone in on the hows and whys of your strategies. This section guides you through clarifying your organization's strategic intent, understanding your market position through Porter's Five Forces, and selecting the most suitable strategy type.

Organizations typically follow one of two primary strategy intents:

- Offensive intent: gaining something (market share, new customers, innovation leadership, etc.) or taking something from competitors
- Defensive intent: retaining or protecting something (customer base, market position, profitability, etc.) from competitive threats

Example:

- A telecom company may pursue an offensive strategy by launching digital services to expand into new markets.
- A retail chain may adopt a defensive strategy to protect local market share against global entrants.

Step 1: Define your strategic intent

Strategic intent	Guiding questions	Your notes
Offensive	Are we aiming to capture market share? Expand into new segments? Lead on innovation? Improve margins by disrupting current market norms?	
Defensive	Are we primarily focused on protecting our market position? Retaining key customers? Defending margins or warding off emerging competitors or disruptions?	

Tip

Consider recent strategic discussions. Is the dominant narrative about gaining or defending? This often reveals the underlying intent.

Identify if the primary strategic intent is **offensive** or **defensive**.

Rationale:

Step 2: Analyze your market position with Porter's Five Forces Model

Porter's Five Forces helps you evaluate the competitive pressures shaping your industry. Understanding these forces will sharpen your sense of market position and competitive dynamics.

The first force is competitive rivalry. This is the direct battle between you and other players in your space. The more intense the competition, the harder it is to stand out or maintain healthy margins.

Coca-Cola and Pepsi are good examples. They are locked in constant competition over shelf space, ads, sponsorships, and global market share. The rivalry is so fierce that every move counts. Both these giants have teams that continuously benchmark their products and services against each other to see how they compete and spot strengths, weaknesses, and potential vulnerabilities.

The second force to keep an eye on is the threat of new entrants. This is all about how easy it is for new players to enter your industry and challenge you. The lower the barriers, such as cost, regulation, or customer loyalty, the more vulnerable you are.

Look at fintech startups like Revolut or Monzo. They've entered the financial services with agile digital-only models, no physical branches, and customer-friendly apps. While traditional banks were dealing with legacy systems and compliance complexity, these newcomers offered seamless, mobile-first experiences that attracted younger, tech-savvy users.

The third force is the bargaining power of suppliers. Suppliers who hold all the cards can squeeze your margins or dictate terms. This typically happens when you rely on a few key suppliers or when their offerings are highly specialized.



TSMC, short for Taiwan Semiconductor Manufacturing Company, is one of the few firms able to produce leading-edge microchips. Tech giants like Apple and NVIDIA rely on them for critical components. With limited competition, TSMC holds significant power; customers have few options if it raises prices or faces shortages.

The question here is who you are dependent on. If your suppliers have a lot of power over you, you are vulnerable.

The fourth force is the bargaining power of buyers. Buyers have power when they can easily switch to other providers or drive prices down. The more informed, numerous, or organized your customers are, the more leverage they have.

Consider how Walmart negotiates with consumer goods companies. As one of the largest retailers in the world, it has enormous purchasing power. Suppliers often accept tighter margins, tougher terms, and logistical requirements just to stay on their shelves. If your customer, in this case, Walmart, has the power to dictate a lot of your terms and you are willing to oblige because you don't have many other choices, you are vulnerable.

The last force is usually the one that catches people out. It is the threat of substitutes. Substitutes aren't direct competitors; they're different solutions to the same customer need. Your position weakens if there's a better, cheaper, or more convenient alternative.

Think about Netflix. It doesn't just compete directly with other streaming services like Disney+ or HBO Max. They also compete against cinemas, video games, social media scrolling on TikTok, and offline activities like dinner. These are all substitutes for your attention and leisure time; you can do these activities instead of watching Netflix. The more substitutes are available, the more vulnerable you are.

Taken together, the areas of Porter's Five Forces Model help you understand what is currently happening and what to watch.

Now, consider the key questions to ask about your business in each of the five forces.

Force	Guiding questions	Your notes
Competitive rivalry	Who are our main competitors? How fierce is the competition in pricing, innovation, or brand presence? What truly sets us apart in the eyes of our customers? Is that advantage still strong, or is it beginning to fade?	
Threat of new entrants	How easy would it be for a new player to enter our market and win over our customers? And are the barriers we think are protecting us (like our brand, regulation, or capital requirements) still as solid as we believe, or are they starting to become obsolete?	
Bargaining power of suppliers	Are we overly dependent on a small number of suppliers for critical inputs? If so, what would happen if one of them raised prices or changed terms?	
Bargaining power of buyers	Ask yourself how many choices our customers have? How easily can they switch to someone else?	
Threat of substitutes	If customers stopped choosing us, what other products or services could they turn to, even if they aren't direct competitors? Are there new alternatives emerging that are simpler, more affordable, or better aligned with what people want today?	

Which force is the strongest threat to our business?

Which force presents opportunities we can exploit?

How does this inform our strategy?

Step 3: Choose strategy type

With your strategic intent clarified and market forces mapped, it's time to select the type of strategy that aligns with your goals. Use the tool below to compare your strategy against the different types below.

1. Identify which type(s) your strategy is best suited to.
2. List the strategic actions you will take to enact this type of strategy.

Strategy type	Description	Strategic actions
Cost leadership	Compete on price by being the lowest-cost producer while maintaining acceptable quality.	
Differentiation	Compete on unique features, brand, or quality that allow premium pricing.	
Focus strategy	Target a narrow market segment (niche), either through cost focus or differentiation focus.	
Red ocean	Compete in existing markets by outperforming rivals; competition is intense and often price driven.	
Blue ocean	Create new markets or demand spaces where competition is irrelevant through innovation.	

Reflection:

Does our strategy type align with our approach and intent?

What role does HR play (e.g., skills transformation, leadership development, cultural alignment)?

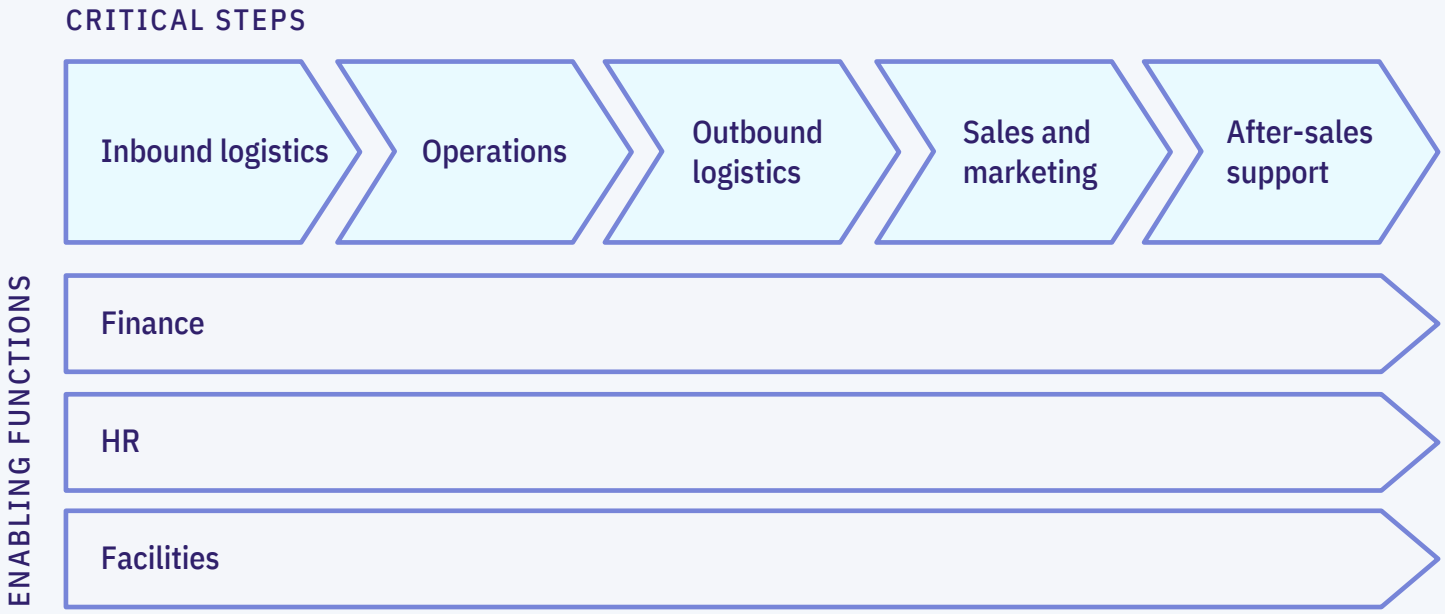
Where will we need to invest in people and skills to succeed?

Identifying Core Capabilities with the Value Chain

Purpose: Identify what your organization does exceptionally well that supports the chosen strategy.

Step 1: Map your organization's value chain

Use the value chain below template to map your organization's value chain. Note that not every organization will have the same number of primary or secondary capabilities.



Step 2: Pinpoint high-performance areas

Where do you consistently outperform the market?

Which core capabilities enable our chosen strategic approach?

Identify three potential core capabilities. Evaluate them using the five criteria. Are these activities valuable, rare, hard to imitate, nonsubstitutable, and difficult to acquire quickly?

	Valuable?	Rare?	Hard to imitate?	Nonsubstituable?	Hard to build/acquire quickly?
Capability 1	•	•	•	•	•
Capability 2	•	•	•	•	•
Capability 3	•	•	•	•	•
Capability 4	•	•	•	•	•
Capability 5	•	•	•	•	•

Step 3: Decide How to Leverage Core Capabilities

Once you've identified your core capabilities, determine how they will be leveraged in your strategy.

- Exploitation: applying your core capabilities more effectively to existing markets, products, or services. It's about using what you're good at to become even better.
- Exploration: applying your core capabilities to something new, such as new markets, products, or even entirely new business models.
- Strategic alliances and partnerships: combining your strengths with those of another organization to unlock value neither could achieve alone.
- Mergers and acquisitions: acquiring capabilities externally rather than building them from scratch in order to scale quickly and reach new markets.
- Growing capabilities organically: developing people and systems that align with your long-term strategy over time from within.

Activity Prompt: Strategic Leveraging of Capabilities

For each of the core capabilities you have identified, identify how it works for the company currently, how you can leverage the capability even further, and what actions the organization would need to take to reinforce the capability.

Core Capability	**How it contributes currently**	**Lever to increase value** (exploitation, exploration, strategic alliances, etc.)	**Actions**
Data Science Talent	Drives personalization in marketing	Explore: Build advanced AI capabilities	Hire data scientists; create upskilling programs; redesign roles

Final Reflection

As a senior HR leader, you have a critical role in shaping strategy. By understanding customer jobs, evaluating opportunities, clarifying direction, and identifying core capabilities, you help ensure strategy is people-powered and execution-ready. So, what will your organization be famous for?

Your space to reflect: