



Strategic Catalysts

A New Source of Value Creation

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The Challenges in Strategy Development

Strategic catalysts exist to directly address the challenges executives face in developing corporate strategies in the midst of rapidly changing and hyper-competitive industry realities. Managing in this environment is a high-energy, high-risk exercise. The catalyst lowers the energy required for the executive team to leap across the strategic barrier and accelerates the process of crystallizing the strategies latent within the organization.

At its simplest, strategy is what guides companies in deciding what they should do and what they should not do. There are many forms of strategy: funding strategy, product strategy, market strategy, technology strategy, and people strategy. But all these strategies must be developed within the context of an overall business strategy: What is the unique definition of the company, and what is the company trying to achieve?

Virtually every company believes that it has a business strategy. Unfortunately, many companies actually mistake one of their substrategies (usually product strategy or market strategy) for their business strategy. This limited strategy definition is often enough for the management team to experience great success in raising initial funding, creating initial excitement about the company, and even landing early customers and revenues. However, it is not enough to provide direction for the critical decisions that all startups face.

Similarly, as established companies grow and develop, they often lose the strategic focus that led to their initial success. As new divisions are formed to pursue specific market opportunities, as new businesses are launched to develop new types of products and services, and as complimentary businesses are acquired to continue corporate growth, the corporation can easily lose the strategic vision of why it exists and what it is trying to achieve. When this happens, the corporate strategy is usurped by the individual business and division strategies resulting in internal competition and corporate inertia.

In today's hyper-competitive world, a strategy-challenged firm will fail—we see it everyday. It isn't pretty, and it isn't pleasant for anyone involved. In a hyper-competitive industry like telecom, a company's core business strategy is critical to its success. When the going gets tough, the strategy keeps the firm going in the right direction. Without a sound business strategy, a company will make bad decisions; it will do things it shouldn't, and it won't do the things it should.

A strategy-challenged company will make bad decisions about which direction to grow the business, which opportunities to pursue (and pass), which markets to enter, what companies to acquire, and so forth. A strategy-challenged firm will often contradict itself, making decisions that move the company erratically in many different directions at once. A strategy-challenged firm will bounce from one market reaction to the next in hopes of finding the magic formula for survival or success.

Yet business strategy perpetually falls off the priority list as top executives must focus on the key business tactics required to keep their firm moving—moving here, moving there, but always moving in this fast-paced world.

There are three *traditional* ways to tackle business strategy creation:

1. **Internal:** Assign corporate strategy to a member of the executive team. Expect her to drive consensus among the management team on critical strategic issues while everyone (often including the strategy executive herself) continues to focus on day-to-day tactics.
2. **Outsourced:** Hire a top-notch management consulting firm. Spend three to six months educating them on your industry and business so they can consolidate into a 100-page presentation the elements of strategy and insight that currently reside within the collective—but disconnected—minds of your management team.
3. **Ignored:** Focus on day-to-day tactics. Hope that your intuition is enough to drive the right tactics to achieve enough success to carry you to the next day, the next month, the next quarter. (Often combined with one or both of the Internal and Outsourced approaches.)

Strategic Catalysts

To meet the urgent need for rapid and effective strategy creation, strategic catalysts bring together two critical elements:

1. The depth of practical industry knowledge to drive rapid, strategic decisions.
2. The strategic perspective and experience to develop top-level corporate strategies/decision frameworks that enable success in hyper-competitive industries.

Chemists use a catalyst to accelerate a process or initiate a reaction that otherwise would not occur. The catalyst itself is not consumed in the reaction.

In business, catalysts similarly accelerate or initiate a process. Specifically, strategic catalysts initiate or accelerate the process of creating corporate strategies: business strategies, market strategies, product strategies, technology strategies, etc.

Catalysts accomplish this acceleration/initiation by making it easier for the management team to extract its strategic beliefs and contextual knowledge and transform those beliefs and knowledge into actionable strategies.

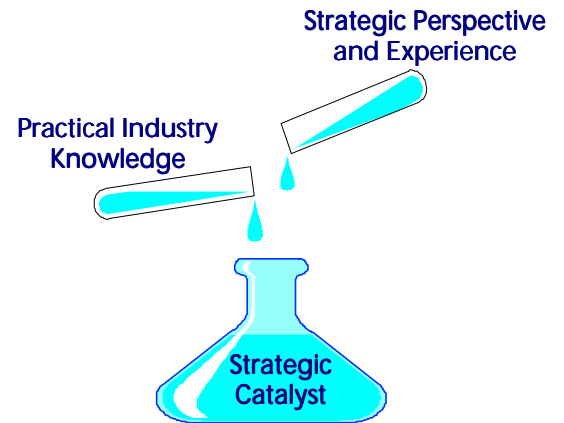
Specifically, catalysts accomplish this through:

- Use of proven methodologies that streamline and systemize the steps required to develop an effective strategy.
- Industry context that can rapidly validate (or refute) executive beliefs about market needs and competitive realities.
- Actionable frameworks, tools, and documents that effectively drive the implementation of the developed strategy.

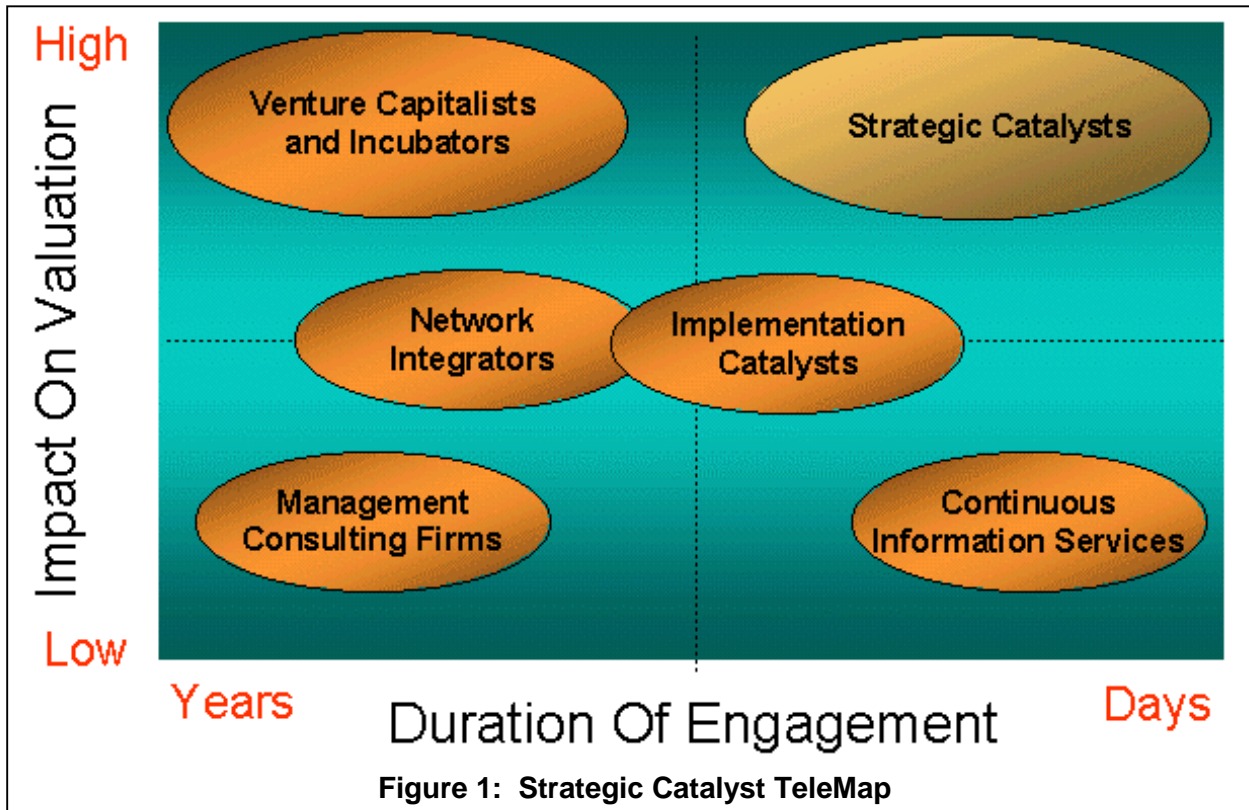
How Do You Know A Catalyst?

To be a strategic catalyst, a firm must meet the following three criteria:

1. It must fully understand the client's industry and business models so it can provide coherent industry perspective that leads to wise, strategic counsel.
2. It must identify the unique characteristics of the client's business or innovation in the context of the broader industry.
3. It must have proven methodologies for driving rapid, but sound, corporate strategic decisions.



By meeting these criteria, strategic catalysts offer a unique value. They provide high strategic impact that increases a company's value in a very rapid timeframe (see Figure 1).



Like venture capitalists and incubators, strategic catalysts have tremendous impact on the valuation of clients' businesses. This can best be perceived in terms of investor and market confidence, industry leadership and visibility, and employee excitement and buy-in, as well as financial measures such as market capitalization, revenue growth, and margins.

Unlike venture capitalists, incubators, management consulting firms, and others, the core assets of strategic catalysts are not consumed in the process of creating this value. The duration of any individual, value-creating engagement is from days to weeks, rather than the months to years over which other strategic partners may be engaged.

All these businesses can bring value to their clients when appropriately applied. The strategic catalyst role can be highly complementary, especially to the role of venture capitalists, incubators, and implementation catalysts, all of whom are similarly focused on accelerating value creation.

Consider the similarities and differences between strategic catalysts and other industry players:

	<i>Similarities to Strategic Catalysts</i>	<i>Differences from Strategic Catalysts</i>
Management Consultants	<ul style="list-style-type: none"> • Strategic reputation • High-level client contacts 	<ul style="list-style-type: none"> • Superficial industry knowledge • Focus on process: re-engineering and tactics • Time-based and people-based pricing providing incentives to stretch and grow project scope and duration
Incubators	<ul style="list-style-type: none"> • Help formulate ideas • Very high impact on company's success • Value-based "pricing" • Industry specialization 	<ul style="list-style-type: none"> • Work for long periods with very few companies
Continuous Information Services	<ul style="list-style-type: none"> • Industry focus • Deep industry knowledge • Influential brand 	<ul style="list-style-type: none"> • Business competency is information and reports, not consulting • Prepackaged offerings, not custom solutions • Usually end-user focus
Network Integrators and Implementation Catalysts	<ul style="list-style-type: none"> • Industry focus • Deep industry knowledge • Real-world experience 	<ul style="list-style-type: none"> • Focus on network implementation, not business and market strategy

TeleChoice: The Strategic Catalyst for the Telecom Industry

Working within the telecom industry, TeleChoice starts or greatly accelerates the process of crystallizing a business or market strategy, value proposition, or differentiated position. Playing a strategic role, TeleChoice enables clients to launch new businesses, create a new market category, or position new products rapidly and with high-market impact.

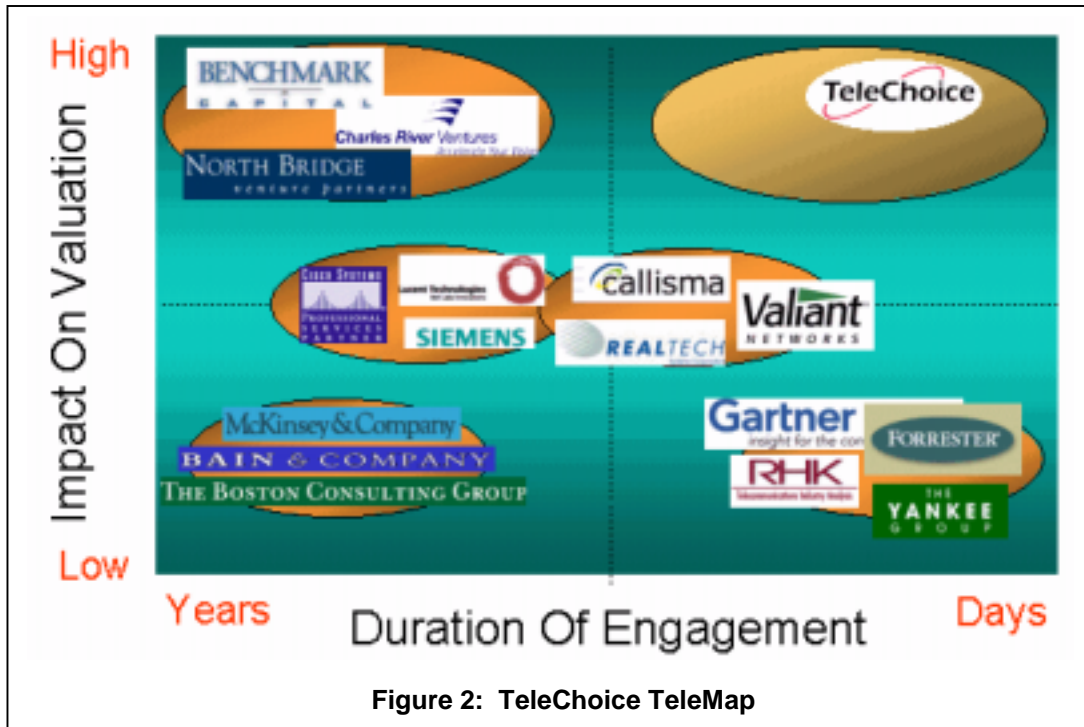


Figure 2: TeleChoice TeleMap

Supporting telecom service providers and the technology vendors that serve them, TeleChoice focuses on leading-edge public network technologies. Since its founding in 1985, TeleChoice has been differentiated by its proven ability to transform new technologies into successful new markets, products, and services. TeleChoice’s portfolio of offerings helps clients conceptualize, launch, market, and capitalize on innovations in networking—faster, more efficiently, and more profitably.

TeleChoice assists telecom firms in defining and implementing strategies ranging from top-level business strategy (e.g., Who are we? Who do we want to become?) to detailed marketing strategies (e.g., How should we sequence our target markets and effectively position, differentiate, and message in those markets?). Although TeleChoice maintains long-term relationships with clients, typical engagements range from a three-day strategy workshop to an eight-week, detailed market entry strategy project.

As the strategic catalyst for the telecom industry, TeleChoice reduces the time and effort required for executives to crystallize the business and market strategies latent within the organization. TeleChoice openly shares with clients and educates them on TeleChoice tools and methodologies to provide an ongoing strategic decision framework.

TeleChoice typically accelerates business or market strategy activities by a factor of 2x to 30x. By bringing its methodologies, experience, knowledge, and perspective to bear for its clients, TeleChoice can complete strategic projects at least twice as fast as traditional methods (e.g., internal client efforts or using other forms of consultants). In many cases, TeleChoice can drive strategy-defining exercises that are complete in a few days, accomplishing what would traditionally take several months.

Furthermore, by leveraging TeleChoice's broad and deep experience in market making, its clients have enjoyed significantly higher success rates than the industry at large. Although difficult to measure, this increase in first-time success further amplifies and multiplies the "speed to successful strategy" breakthrough performance that TeleChoice provides.

Real Catalyst Examples

TeleChoice has accelerated strategy development with a large number of telecom firms, resulting in significant impact on valuation of client businesses and/or more rapid development of revenues from new markets. The most dramatic examples have been firms who have been through the TeleChoice Strategy Lab, a three-day process for rapidly uncovering and crystallizing top-level business strategies. A small sample of these successes is provided below:

- A TeleChoice equipment vendor client, between first- and second-round financing, about to publicly launch its company, was preparing to position itself as the latest and best entrant in an exciting but already overcrowded market category. In the strategy lab, the company founder described a unique technology innovation that could radically alter how telecom service providers design networks. Although this technology could be applied to create incremental differentiation in the established field it had been targeting, TeleChoice led the management team through the analysis, creating a new product category. The team determined that creating a new category best met its objectives and its identified decision criteria. With this new positioning, the company had a very successful market introduction and second round of financing. Further the company is likely to continue to achieve higher valuations than it would have as a late entrant into a crowded field.
- Another TeleChoice client at a similar point in its development took its company through the TeleChoice Strategy Lab. With its launch, the company, a well-funded service provider, had a category-making opportunity. However, the company's rapid growth combined with its original market entry strategy caused the company to lose focus on the founders' original vision. The founder and CEO of the company had a clear vision; however, the management team was debating the fundamental business definition issues. Through the strategy lab, the team gained clarity about the strengths and weaknesses of a variety of alternative business definitions. As a result, they gained consensus and created a coherent strategy that encompassed the first offering without compromising on the long-term vision. Additionally, through ongoing advisory services, TeleChoice assisted the firm in expanding on the message conceived during the strategy lab and developing a framework for publicly launching the company, its architecture, and initial service.

- A service provider in the process of creating its business plan for exiting Chapter 11 bankruptcy took its executive team through the TeleChoice Strategy Lab. Through the TeleChoice methodology and TeleChoice industry perspective, the company clearly identified the competencies, assets, and resources at its disposal, as well as a wide variety of ways it could redefine the business. The team evaluated these options within the context of its objectives and evaluation criteria, including the requirements of the bankruptcy court. Through the TeleChoice methodology, the team was able to focus the business on a redefined business plan to meet its objectives.
- A TeleChoice client in the midst of second-round financing and about to publicly launch its company went through the TeleChoice Strategy Lab. The company had recently hired a new CEO and had spent the past several weeks internally working to develop a powerful business strategy. The result was a somewhat fuzzy strategy that focused on an application no longer highly valued by industry press and analysts and seemingly well addressed by incumbent vendors. Through the strategy lab, the firm was able to identify and clarify its unique dimensions of innovation and value delivery. This led to focus on a clear business strategy around a new category of network equipment. In the strategy lab, the fundamental building blocks were laid for clearly communicating its unique industry position and innovation in a compelling and exciting fashion. Additionally, the new management team was able to build consensus and share perspectives and insights in a way not previously possible given the frantic, day-to-day realities of running a startup business.
- A well-funded startup service provider took its company through the TeleChoice Strategy Lab. Although only a few months old, the company had already been forced to redefine its initial service offering because of market resistance to its initial concepts. This shift had caused the firm to lose focus on the original vision that had led the founders to start the company. Through the strategy lab methodology and under TeleChoice leadership, the firm rediscovered its founding goals, the unique application of its innovation, and the firm's unique competencies to achieve those goals. The firm was able to create a coherent and powerful business strategy that encompassed its founding vision and its repositioned initial offering. TeleChoice also assisted the firm in creating a messaging framework for publicly launching the company, architecture, and initial service within the context of both market realities and its business strategy.

In each of these examples and many others, TeleChoice had a significant impact on its clients' ability to drive shareholder value through an engagement that lasted less than three days. TeleChoice was able to lower the barriers for the strategy "electrons" to flow and for a clear, coherent, and value-creating strategy to crystallize. This is the essence of a strategic catalyst.

TeleChoice has also assisted many clients in developing successful strategies for entering new markets. The TeleChoice Market Strategy services help companies develop their plan to enter a new market with maximum impact. These services include market entry for an entire company, a new product portfolio, or single product or product enhancement. With TeleChoice's assistance, companies can get to market faster and with greater impact. A small sample of these successes are profiled below:

- A network control vendor came to TeleChoice for help in enhancing the company's market entry plan for the company launch. The executive team had already developed a market entry plan; however, the plan would have launched the company into an overcrowded market, thus significantly reducing the opportunity for a high-impact market launch. TeleChoice worked closely with the executive team to determine the best market strategy based on the company's unique solution. TeleChoice created a new market entry approach along with a messaging strategy that provided a differentiated position. As a result, the company executed the TeleChoice plan creating greater market impact and positioning the company for stronger long-term growth.
- A late entrant to a crowded service provider space retained TeleChoice to help develop its initial market entry. TeleChoice conducted a detailed analysis of the company's overall market strategy, market sequencing, and service offering. Based on the results, TeleChoice developed a market strategy that positioned the company as a new category of service provider. The new strategy allowed the company to more clearly and successfully communicate its offering as a new category of service provider instead of positioning with the existing category. The service provider executed the TeleChoice strategy and, as a result, successfully closed an additional round of funding and is gaining significant market momentum.

TeleChoice has also accelerated the development of new markets for clients. The TeleChoice Market Acceleration Program helps companies speed the development of a new market for an innovative technology or product. The result is greater market awareness of the value, more rapid decision-making by target customers, and ultimately a shortened timeframe to revenues and profit. A small representative sample of this acceleration and impact is provided below:

- TeleChoice has developed a comprehensive interactive tool for a leading voice gateway vendor. The purpose of the interactive tool is to demonstrate to the vendor's customers, i.e., established telecom companies, the expected revenues and return for new voice services using a DSL delivery platform. A primary objective of the tool is to speed the customer's decision-making process. The vendor's sales team uses the tool to accelerate the sales process. As a result, sales close faster and the tool has helped the vendor establish closer relationships with its customers.
- TeleChoice has developed a business-modeling tool for a next-generation DSLAM vendor. The purpose of the tool is to educate the vendor's customers on the effect of delivering advanced data services using standard financial benchmarks. The model highlights benchmarks such as ROI (Return On Investment) and break-even analyses. The vendor is using the tool successfully with customers who not only have better payback expectations, but also move more rapidly to sales decisions.

- TeleChoice has developed a service creation toolkit for a leading-edge security platform vendor. The toolkit is a comprehensive package consisting of a Product Manager In a Box and an ROI model. The toolkit offers service providers the marketing tools needed to accelerate the launch of security services. The Product Manager In a Box includes an overview of the security market, competitive analysis, steps in developing and launching the services, service definition templates, and a service development roadmap. As a result of introducing the toolkit, the security platform vendor has been able to establish a strategic relationship with its customers, differentiate itself from competitors, and accelerate revenues and profit.

The value derived from working with a strategic catalyst is unique for every company, but the results are profound. In an industry where rapid time to market and unique positioning translate into billions of dollars in market capitalization, the stakes are too high for mistakes or on-the-job learning. Strategic catalysts exist to help executives leap the energy barrier that keeps business electrons flowing in their day-to-day orbits but also keeps businesses from achieving a higher state.

TeleChoice exists to help telecom executives rapidly crystallize the purpose and positioning of a company and its innovations.

To find out more about how a strategic catalyst might help your firm crystallize its business strategy or accelerate the development of a new market, contact TeleChoice at remes@telechoice.com or visit the company's website at www.telechoice.com.