

# Chapter 1

## Gearing Up to Get Competitive

### *In This Chapter*

- ▶ Understanding strategy, competition and priorities
- ▶ Basing your business on an effective strategy
- ▶ Confronting your competition
- ▶ Setting your priorities
- ▶ Deciding to go forward

**W**hatever your walk of life, you need a purpose, something to strive for and something to propel you onto the next level. Nothing and nobody stands still – everything changes and advances. People are always looking for new things to do, new interests, fresh challenges and adventures.

All companies and organisations – including yours – have a drive for purpose and challenge. Organisations don't exist in isolation, nor do they exist without human contributions. They need to make progress, stay vibrant and do things better and differently. The people who work for organisations expect progress, as do their customers and clients. And, in any case, things like technology, competition, the actions of managers and the demands of shareholders and backers force change and development on organisations.

Successful individuals and organisations decide what they're going to do – and why, when, where and how they're going to do things. In other words, they form and develop *strategies* – patterns and processes by which they make progress and advance in pursuit of goals and objectives.



You can wish for anything; this is a part of human behaviour. But unless you then determine to put in the hard work to back up your wishes, all you're doing is daydreaming – and this is no use to anyone but yourself. Strategy is about laying the foundations for hard work and making sure that your dreams do indeed come to fruition. Strategy isn't merely about thinking – it's about action!

Strategy – along with the interconnected ideas of competition and priorities – is the focus of this chapter. In the following sections, I show you how to establish the foundations for hard work and make sure that your dreams come to fruition.

## Defining Strategy

Though you may have just opened this book, you probably have a good idea of what strategy is, the bits and pieces that you need to add to give a strategy life and some ways to make a strategy effective.



*Strategy* is about having goals, aims and objectives – and then creating the patterns of activities and behaviour that you need in order to aspire to and eventually meet these aims and objectives. Strategy is about having the processes in place that make everyone's life as easy and as productive as possible as you strive for your goals.

Who actually *needs* a strategy? Well, the answer is pretty much everyone! In every walk of life, you must know what you are doing – as well as why, for whom, where the profit is coming from and who you are competing against for work.

Although strategy is a pretty simple concept, having a good strategy for your organisation is actually complex. The following sections can help you lay the groundwork necessary to give yourself the best possible chance of enduring commercial and competitive success. If you consider all the aspects I address in the following sections, you may still not succeed, but at least you can track back and figure out where and why you failed. (And even in failure, you can succeed in a sense. Even the best strategies contain weak points. If you identify your weakness, your revised strategy becomes that much better.)



If you don't go through the processes I discuss in this chapter and book and yet you do succeed, you'll have no idea *why* you succeeded – and if you fail, crucially, you'll have no idea why this happened either.

## Being effective

A key characteristic of any strategy is that it's *effective*. In the case of an organisation's strategy, being effective means:

- ✓ You make and deliver products and services that people need and want from you – at prices that they're willing and able to pay.
- ✓ You look to make progress, to change, to advance and develop, to do things better than before.
- ✓ You have the resources (finance, technology, expertise and so on) at your disposal so you can do what you want and need to do.
- ✓ You achieve results by engaging your staff's commitment and their expertise.



- ✓ You do everything at the right time for everyone involved.

Your timing has to be right. Right for any stage of the economic cycle, right for your team and people, right for your customers and – most importantly – right for your company or organisation.

Of course, the preceding list sounds great, but how many ‘important business initiatives’ have you encountered or been part of that actually resulted in less getting done, more slowly, more expensively, by more people, at greater cost? If you’re truthful – probably quite a few!

Or how about the many good new ideas that have been introduced and failed because people didn’t know quite what they were doing and why. Or something that was a really good idea, but what with one thing and another it came in two years too late and failed utterly.

## *Clarifying every detail*

Another top priority for any strategy is clarity – of purpose, priorities, conduct, behaviour and performance. Without these things, you immediately limit your effectiveness and your ability to compete.



You must get your strategy clear at the outset of any project, initiative or effort. Your strategy is, after all, going to be the cornerstone or basis of everything that you do, how you do it and for whom you do it. If you don’t make yourself clear at this point, you’re always going to struggle to get your message across in the future.

Begin planning any strategy by making it absolutely clear to everyone what you’re setting out to do – as well as how, why and for whom. And ‘everyone’ here means everyone – your staff, your backers and shareholders, your suppliers, your customers and clients, as well as the markets, locations that you serve and the communities in which you operate. (Yes, I just threw out a lot of terms. So in order to make myself completely clear about what I mean, turn to Chapter 9 to find out more about customers and clients; turn to Chapter 4 for markets and locations.)

Clarity is the basis of what eventually becomes your competitive strategy. By getting it as clear as possible, you are:

- ✓ Sorting out where your priorities truly lie (see the section ‘Establishing Your Priorities’ later in this chapter).
- ✓ Figuring out how you’re going to create your own order and structure.
- ✓ Determining how you’re going to conduct yourself as you pursue your business.

Clarity is important early on because you need to establish yourself and your activities so that everyone knows what you do and for whom; and that you say what you mean, and mean what you say. You're setting out the standards and attitudes that you're going to adopt towards your customers and clients – those on whom you ultimately depend for your very survival.

Clarity also involves the basis of the ways in which you interact with others, including:

- ✔ The attitudes that you adopt towards your staff. How are you going to communicate to inspire your people?
- ✔ The attitudes that you adopt towards your suppliers. For example, are you going to exploit and drive them into the ground, or are you going to work in partnership and collaborate with them to the benefit of you both?
- ✔ The attitudes that you adopt towards the communities in which you're going to be working. Remember that these communities not only serve as an important customer base – they're also where many of your employees are going to come from.
- ✔ The attitudes that you're going to adopt towards people who put money and resources into your company and your activities. How are you going to spend what is, after all, their money? How are you going to invest to generate the returns that they seek and that they are entitled to?

## Change, progress and development

One of your main priorities as a competitive, strategic individual and leader of an organisation is to change, progress and develop.

Now, this is hardly news! Yet so many companies and organisations introduce developments that actually don't change, progress or develop. Many changes, unfortunately, result in things being done less quickly, more expensively, for fewer customers and clients, with declining results.

- ✔ Ever been involved in a mega-computer or technology project that was to revolutionise the way in which data was processed – only to find that you then had to wait ages for something that used to be available at the tip of your fingers?

- ✔ Ever waited patiently for the next games console, only to find that it was so full of glitches that it had to go straight back to the makers?

- ✔ Ever seen a one-time charge on a Balance Sheet that is a testament to an ill-starred corporate adventure into the unknown – and which everyone now must pay for?

Look carefully and critically at any proposed change, innovation, enhancement or development from the point of view of improving everything – not of getting in the way of progress! (For how to do this successfully, see Chapter 9.)



Here's the important question. How do you want to be known by all the preceding people? Because know you they will! So make sure that you establish your relationships right and open in your own terms, from the very beginning of any endeavour. Asking and answering this question invariably serves as a reality check for many organisations and their top managers – many of whom never considered what people may think about them!

You need to make these considerations at the outset of any venture because people like to know where they stand with everyone and everything that they come into contact with. People gravitate towards other people who they know, trust and understand, and away from those of whom they're not so sure.



And if after considering how you want to be known, you determine that you do really want to be known as hard, exploitative, overbearing – then at least have the courage to say so up front, rather than leaving this realisation to the local gossip and grapevine.

## *Finding purpose and direction*

Another essential aspect of any strategy is a statement of your purpose, direction and priorities. Being as clear as possible about your purpose and direction helps to reinforce people's confidence in you. And you're going to need this confidence in every quarter:

- ✓ **Your staff** need and want to know what you're like as an employer.
- ✓ **Your suppliers** (of raw materials and components, data, technology and transport) need and want to know that you're a good company with which to do business.
- ✓ **Your customers** need and want to know that your products and services are of the quality and value that they seek, and that you charge fair prices and fees.

By getting your purpose and direction clear at the start, you build the confidence that everyone needs to have in you.

You're also refining and steering everything that you do – because you have to! You have to change every time one of your competitors does something to which you have to respond. You have to change every time you develop something new or introduce a new product or service. You have to change every time you discover a new group of buyers for your products and services. And you have to be able to respond every time the external pressures in the environment change. (For more on these pressures, go to Chapter 5).

So by extension, your competitive strategy can't be static. It has to be the basis of your active (not passive) involvement in everything that you do. It must be flexible and responsive to demands, needs, wants and opportunities.



You can't know what these demands and opportunities are unless you're first clear in your own mind about how you operate and how you compete. What you do and how you do it are important of course; but *why* you do things – your purpose – is the most vital element. Whatever you do, you have to be able to explain and justify, and very often defend. So make sure that you've worked out clearly why you do things in particular ways and at particular times.



Figuring out your purpose and direction gives you a secure foundation from which to operate. You need this base because as organisations progress and advance, they can lose sight of where their strengths truly lie, which can lead to all sorts of trouble. For example:

- ✓ **Leeds United Football Club** forgot that it was a very successful domestic and regional club and spent £93 million pursuing the illusion that it was one of the world's top clubs. This illusion arose at the club because its management thought that it was unbeatable after just one spectacular season!
- ✓ **McDonalds** lost focus and experienced considerable turnover of staff when, in response to criticism that it was fuelling an obesity crisis, it introduced 'healthy' food ranges and reduced its standard menus. Although the intention may have been superficially laudable, offering healthier food options did not (and does not) alter the fact that people don't immediately think of McDonalds as being a health food restaurant.



As you progress and advance, your strategic and competitive position must act as an anchor and as a reference point. Only change your core position when it clearly is no longer delivering what it should.

## What strategy is not

While you're spending time and exerting effort to figure out what your strategy is, you also need to be clear about what strategy is not! Strategy is not any, or all, of the following:

- ✓ A wish list or daydream.
- ✓ A perfect plan with everything laid out neatly and nothing without a place in the structure of things. People mistake plans for strategy all the time. You can't plan for anything with certainty; you have to be aware of all the forces that can and do affect things.
- ✓ An exotic but impossible and buzz-word filled description of a fantasy future, bought in from high-priced management consultants.
- ✓ A set of bland statements which mean nothing at all. Recent examples of these sorts of statements include: 'Seeking opportunities wherever they may be' (Laing) and 'We are well placed to take advantage of the upturn' (Cable and Wireless). These statements are actually counterproductive because people can see that they're filled with blandness or bromide – truly indicative of a lack of energy and commitment. (And both Laing and Cable and Wireless have lived to regret their approaches.)

- ✔ A statement that is totally boastful or fanciful. Notable examples include: 'To be the world's top provider of last minute goods, solutions and gifts' (lastminute.com, shortly before it was taken over by Thomas Cook) and 'From the world's best energy company, to the world's best company' (Enron, shortly before it went bankrupt).
- ✔ A positive notion that is ultimately lifeless or meaningless. For example, 'We're going to advance and win the war' is not a strategy – unless you then go on to describe the detail by which you're going to do this.
- ✔ A goal that you describe in general terms but then don't resource properly. This is a besetting sin of many public services as well as commercial organisations. For example, the UK NHS is held to be the model for all healthcare providers to follow, and yet its hospital wards are not kept clean due to under-resourcing.
- ✔ A goal that you simply ignore. For example, in the US, Eastman Kodak long described itself as a digital photography company whilst still emphasising traditional film cameras and photographic paper.
- ✔ An ideal that operates in isolation from what the company actually does in practice. For instance, many companies state that they're global players, but they actually carry out their main activities in one or two areas only.
- ✔ A lofty ambition that's impossible to achieve. Telling people that your only purpose in life is to go to Mars (for example) is a lovely idea, but it's not at all feasible, at least at present.
- ✔ A replication of someone else's ideas and approaches. Whereas you can indeed learn lessons from the best and most successful, you're never going to be able to repeat how they do things, the expertise or activities that they themselves conduct or how they behave in their own particular domains.

Make up your mind *now* that you'll avoid all the preceding misguided definitions of 'strategy' – at least not without adding lots of detail to them. And if you're not yet senior enough to be doing things as you'd choose, you must know and understand now that you're always going to have problems if you're faced with implementing or trying to work towards any of the preceding.

## Defining Competition

In organisational terms any strategy has to be *competitive*. The structure of markets and the behaviour of customers and clients mean that, if people buy particular goods, products and services from one outlet or organisation, they don't buy from others.

Some call this situation a *zero sum game* because you have to be prepared to fight your corner! If you don't fight, others simply take from you.

Here then you are forming a *competitive position* – the basis on which you're going to compete with others and prevent them from simply taking from you. The foundations of forming an effective competitive position arise from the clarity of your strategy (see the section 'Clarifying every detail' earlier). If you set yourself and your organisation out clearly and simply, people know what

you stand for and you then have the best possible start to developing a fully effective competitive position. If you can't state a clear strategy, you can't expect people to know what you stand for and what you can and can't do for them; so they won't come to you, but they'll go to others who have set things out clearly from the beginning.

I introduce the basic drivers of competition – the forces of competition – in Chapter 3. You also need to understand what competition is not, which is harder to grasp than may first appear (see the sidebar 'What competition is not' for details).

## What competition is not

Deciding how to compete can lead some people into the illusion that rules of strategy and competition exist. The unwary can easily be led to believe that they need to do something because:

- ✓ Someone else in the sector is doing it.
- ✓ The CEO of a rival organisation is doing it.
- ✓ Your organisation won't be fashionable if it doesn't.

Of course, any of these examples may be worth following, but your justification is vital. If you choose to follow someone else's path you must still be able to ask and answer, 'But why is my organisation doing this?' Be prepared to provide support and if necessary defend your decision to follow in another organisation's footsteps.

In the past, people have envisioned their competitive plans metaphorically, with mixed success. For example:

- ✓ Some try to plan their commercial futures on the basis of the assurance of a military campaign. This approach is fine, as long as you also follow the rules of successful military campaigns – and don't start mistaking this process for moving pieces neatly

around maps from the comfort of your office. Clever illustrations may be lovely and look very neat – but they miss the point! Competition is rough and tough and messy and hard work; competition is not orderly or predictable.

- ✓ Others try to look at competition and competitive strategy as a game of chess – and this is even worse! Apart from anything else, the chess metaphor assumes that only two players exist and that only one moves at a time. And competition as a game of chess also assumes that you accept defeat gracefully if that's how things pan out. Wrong, wrong, wrong! In business and commercial competition, if things go against you, you have to fight back with whatever you have at your disposal. So if you're losing at chess, you may need to throw your pieces around and then go and find a cricket bat or a rugby ball or a swimming costume – anything rather than slump to defeat without a fight!

Don't be led down these paths. Make sure that you compete from the position of your own strengths and impose these on those who compete with you.

# Surveying Different Types of Strategy and Competition

You can rarely summarise your strategy and competition position in a crisp one-sentence statement – or even an elegantly worded paragraph. Often, an organisation needs a toolkit of strategies to respond to current competitive pressures. The following sections explore these various types of strategy that you need to become familiar with and develop for your own organisation.

## Grand strategy



Your *grand strategy* is the position that you define as the core or hub of all your activities. Normally you base your grand strategy on cost advantage, brand advantage or something else that's of value to the customers you seek to serve. Whatever your grand strategy, you must provide value and benefits for which your customers are prepared to do business with you and pay the prices and charges that you make. (See Chapter 2 for more on identifying your grand strategy).

Your grand strategy also defines the kind of organisation that you run.

- ✓ **If you seek cost advantages**, you normally concentrate as many of your resources as possible on front-line activities.

For example, if you're a manufacturing operation, you may have all your resources directed to your factories rather than your head office facilities.

One reason for the lack of success in many public services is that few allot enough resources at the front line and direct considerable resources towards office, administrative and other non-service functions.



- ✓ **If you seek quality or brand advantages**, you normally place your primary effort on building and supporting the brand.
- ✓ **If you seek something else**, you concentrate as many of your resources as you have to, in order to make sure that people never forget the 'something else' that you stand for.

## Sub strategies

You need sub strategies in all areas of activity. Your *sub strategies* support and reinforce everything that you set out to do. The important thing about sub strategies is that you integrate them as fully as possible with your grand strategy (see the preceding section) and the basis on which you're competing.

Specific sub strategies that you need include:

- ✓ **Marketing strategies**, to present your products and services to the best advantage in terms of how you serve your markets, customers and clients.
- ✓ **HR strategies**, to ensure that you treat your staff properly and you parcel up work in the most effective ways possible.
- ✓ **Reward strategies**, to ensure that everyone shares in the organisation's successes; and to make sure also that you attract and keep the best possible staff.
- ✓ **Production and output strategies**, so that you have the resources necessary to deliver your products and services at the quality and volume that you need and want.
- ✓ **Product and service strategies**, to ensure that your customers and clients know and understand where they're buying your goods and services from, and how they can make contact with you when they need assistance or additional products and services.
- ✓ **Service delivery strategies**, so that your customers get the best possible service from you and that you put right problems and complaints as quickly as possible.
- ✓ **Financial strategies**, so that you deliver returns to your shareholders and backers – and yourself, of course!
- ✓ **Investment and capital management and appraisal strategies**, so that you have a good sound basis for delivering your products and services for the future.
- ✓ **Product and service development and innovation strategies**, so that you continue to satisfy your customers and clients far into the future.

## *Incremental strategies*

The great beauty of *incremental strategies* is that you take small steps forward. So if you make a mistake, you can withdraw early and adjust without too much loss. And if you're successful, you can take lots of small steps very quickly – and people see steady progress.

The trouble with incremental strategies is that they're not exciting! And they don't always sit comfortably in an age when everyone expects excitement and glamour and can travel the world on company business, making highly profitable interventions all over the place.



Even when you do take small and considered steps, they still have to be in support of your grand strategy and priorities. Otherwise incremental strategies amount to nothing more than a random series of small actions which may or may not work as you thought and expected. (And if you don't have at least some idea of a grand strategy, you're never going to be quite sure whether your incremental strategies were good moves or not.)

## *Radical strategies and transformation*

*Radical strategies* are those which set out to change the whole world – or at least an organisation's position in it!

Radical strategies create excitement of course. These are the types of strategies that everyone wants to be involved in! Everyone sees the excitement that's attached to doing something that they've never done before; they see glamorous and exciting figures from the world of business make incredible transformations and then go on to great fame and fortune – and they want to be a part of this!



Of course, life is never so simple! In practice, most of these great adventures fail. And those that succeed do so because the leader or director actually approaches the radical transformation with very great caution, so that they don't foul up at all. For example:

- ✓ When he first went into the air travel industry, Richard Branson sought advice from everywhere about the pitfalls that he would encounter. He set out to gain a foothold on the UK–USA routes, some of the most profitable in the world. And he succeeded by making sure that he learned and understood at least as much as anyone else about these routes and he surrounded himself with experts in air travel.
- ✓ When he opened his chain of fitness clubs, Duncan Bannatyne ensured that his clubs included a full range of leisure as well as fitness facilities, including swimming pools, bars and restaurants – because he knew that these facilities were what his target clients actually wanted.
- ✓ However, when the first mobile phone technologies were being pioneered, BT, the original protagonist, faced opposition from naysayers who didn't see the use of mobile phones. After all, telephones were universal, and anyone could use one at any time! And here was BT, the great landline provider, looking at changing everything! In this case though, having pioneered the mobile phone, BT was unable to cash in, as others moved faster; and BT's interests in mobile phones were later hived off and became O2. The lesson? Regardless of how great and dominant your company is in its present markets, you still must be able to support radical transformation into other activities.

## Establishing Your Priorities

From all your consideration of strategy and competition, you eventually establish the priorities necessary to secure your competitive position and the basis on which you serve your customers and deliver your products and services.



Centre your *priorities* on producing and delivering the goods and services that your customers and clients seek and expect from you. Nothing else will do! Anything that does not serve this aim is wasteful and expensive!

If you're determined to dominate a particular market, you must concentrate everything that you can on establishing a position that indeed dominates. If you're determined to be a global player, you need the resources to be able to operate effectively in hundreds of different countries and to adapt those strategies to the different demands of each country in which you operate.



Identifying your priorities is only a start! You must then go on and work out the full details for each priority. For example, if you're determined to be the best tunnelling company in the world, your top priority is to know and understand everything about how to build tunnels. Your next priority is that you target people with whom you want to do business and serve anyone who wants a tunnel built, based on your standards as the best tunnelling company in the world. Your third priority is to establish a series of prices and charges that reflect your status as the best (if you want the best, you have to pay, of course; and if your customer expects the best, he expects to pay, as well).

The preceding may sound simple, but what you're actually doing when you take this kind of approach is setting out a position of consistency and clarity (see 'Clarifying every detail' earlier). People who come to you already have a good idea of what you can do for them and how you're going to do it. If you're not consistent and clear in your priorities, people wonder exactly what you do and how you do it – and as a result they gravitate away from you and towards those who do have consistency and clarity.

### What priorities are not

If you set the wrong priorities, you're likely to find yourself pursuing things that look smart and fashionable – but which get in the way of progress and ultimately hurt the performance of your company. For example, in times of difficulty, you can easily prioritise things like layoffs, product withdrawals, outsourcing and

re-branding when you should instead concentrate on developing what your organisation does have going for it. These actions and activities look and sound tough and decisive, but you're simply re-prioritising to do the wrong things instead of the right ones!

## Going for it – or not!

Having spent a number of the preceding pages preaching discipline and rigour, I now have to pull the punch a little! One of your priorities also needs to be the capability and flexibility to seek opportunities as and when they arise, to recognise them for what they are and to take advantage of them when they arise. This means that you must have the expertise to know what an opportunity is for you and your organisation. If your specific definition of an opportunity is clear, you can also have the strength of character to walk away when something's just not right for you.

The best leaders, managers, executives and entrepreneurs do indeed have this combination of clarity, order, discipline and flexibility – all of which they combine with their expertise and attitudes that say very quickly whether something is truly an opportunity to them. If it is, they do everything they can to grasp it with both hands. If it isn't, they forget it and go on looking around.

## Knowing Whether You're Willing

When you figure out your competitive position and develop all your various strategies and priorities, you give yourself the best possible chance of success. (And as I state earlier, if things do go wrong, you can at least backtrack to establish why.) You've proved your capability; now you must prove your willingness.

Determining whether you're truly willing to pursue your strategy is important because in addition to being able to do something, you must also *want to do it*. However trite this may sound, you need to make sure that:

- ✓ You want to do it.
- ✓ Your colleagues want to do it.
- ✓ Your backers want you to do it.



If any or all these groups don't see the value of the endeavour, or can't be bothered, you'll have problems. Collective as well as individual commitment and motivation is vital. You want all groups behind you, supporting you – not dragging their feet (or indifferent, which is nearly as bad).

## *Figuring Out What Matters*

And so to a key question: how do all the topics I cover in this chapter matter to you? After all, you're surely aware of organisations where products turn out to be awful, where the service is appalling, where companies charge high prices for poor quality products and services – and yet these companies seem to go on from strength to strength, success to success.

Many of those who argue against having a competitive strategy and the kind of detailed approach that I outline in this chapter state that a competitive strategy restricts you, preventing you from having the flexibility and responsiveness that you need in order to move fast and take advantage of opportunities when they do arise.



I counter that whatever your chosen approach, you must know what you're doing and why. So you have to have all the detail and the structured approach in place in order to be able to recognise and know what an opportunity actually is. Otherwise you're simply choosing to go into things at random. You need the kind of structure and order that competitive strategy brings in order to actually understand what advantages are available and how you can maximise them.

So why does competitive strategy matter? Well, part of the answer is – it matters to you. You want to do the best for yourself and everyone around you. You want a reputation that you can be proud of. You want to be able to point to your achievements. You don't want to be one of those people for whom, when the subject of jobs comes up at a dinner party and you tell people who you work for, everything goes quiet and then people start talking all at once!

Another part of the answer is – your competitive strategy matters in the future. When resources are neither scarce nor expensive, your ability to compete can always be at least partly addressed by throwing resources at a problem. Now, whatever the circumstances, this is actually a very expensive way of remaining profitable, and you should avoid this approach if at all possible. In practice, you are simply wasting the resources that you have, and which you are certain to need for the future, on something that you can avoid if you do the job properly first time around.



Competitive strategy really does matter when the crunch comes! Whenever credit and consumer crises hit, the first organisations to suffer are those that don't have a clear position. Suddenly, people have to look very hard at the cash that they have and the cash that they spend. And so they turn to those companies that provide products and services that they can be sure of – those that they know to be good value and good quality, or those that they know to have some distinctive benefit (such as clarity) for which people are still prepared to pay.