

STRATEGY PURE AND SIMPLE II

How Winning Companies Dominate Their Competitors

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MAIN IDEA

Most companies are so focused on operational issues they miss major trends and changes that could have bought them vast new strategic opportunities. The key to avoiding this problem is developing the skills required to think strategically.

The strategic thinking process, differentiating between operational issues and strategic issues, suggests the key to corporate success does not lie in attempting to outperform other companies operationally, but to out think them strategically.

From that perspective, the ultimate business strategy for dealing with competitors is one that makes competition irrelevant.

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| <u>1. A Winning Strategy Needs To Be Distinctive</u> | Page 2 |
| The strongest possible competitive position to be in is to have no competition. Companies achieve that by developing and executing a distinctive strategy that makes competition irrelevant. | |
| <u>2. What is Strategic Thinking?</u> | Page 2 |
| Strategic thinking specifies and articulates what a business or organization will look like in the future. Operational planning specifies how to get there. | |
| <u>3. Obstacles to Strategic Thinking</u> | Page 3 |
| The main reasons man companies fail to think strategically: | |
| 1. Ambiguity | 2. Domination of operational thinking |
| 3. Reactivity rather than proactivity | 4. Complacency, Inability to think long-term |
| 5. Top-Down vs. Bottom-Up | 6. Historical vs. Visionary |
| 7. Risk avoidance vs. opportunity exploitation | 8. Focus on strategic planning not strategic thinking |
| 9. Lack of a formal process for strategic thinking | |
| <u>4. Crafting the Future Profile of the Company</u> | Page 3 |
| The four key questions, which will influence the future strategic direction of a company, are: | |
| 1. What products/services will get less/more emphasis? | |
| 2. Which customers will receive/not receive products, services? | |
| 3. Which market segments will we pursue / not pursue? | |
| 4. Which geographic markets will we seek / not seek? | |
| <u>5. The Concept of Strategic Drive</u> | Page 4 |
| Until a company analyzes where its key element or driving force is derived, it can't develop an effective strategy. That one element or driver will be the key to building and sustaining the company's competitive advantage. | |
| <u>6. Articulating the Business Concept of the Enterprise</u> | Page 4 |
| 1. A business concept statement is at most two paragraphs long with every single word well thought out. | |
| 2. The ability of people to execute a business concept statement is inversely proportionate to its length. | |
| <u>7. Nurturing Key Strategic Areas of Excellence</u> | Page 5 |
| Companies or organizations that excel over an extended period of time do so because they deliberately cultivate specific areas of excellence. An area of excellence is a skill, competence or capability the company cultivates to a level of proficiency greater than anything else it does, and better than any competitors can do. | |
| <u>8. The Concept of Strategic Leverage</u> | Page 5 |
| Successful companies find ways to leverage their unique set of capabilities (their driving force and their areas of excellence) across the largest number of products and markets. | |
| <u>9. The Ultimate Competitive Strategy</u> | Page 6 |
| The best way to outperform a competitor is to change the rules of play. | |
| <u>10. Strategic Product Innovation</u> | Page 6 |
| The key to corporate longevity -- a fountain of youth, in essence -- is strategic product creation and innovation. That is, the creation of new products for the markets of the future. | |
| <u>11. Market Fragmentation</u> | Page 7 |
| Although everyone seems to believe in the myth of rapid technological change, in the real world, technologies change over an extended period of time. The only people that can be surprised by these changes are those who have not been looking for signs of change. | |
| <u>12. Alliances and Acquisitions</u> | Page 7 |
| One of the modern corporate buzzwords is strategic alliance. Most will fail in the real world, however. The only strategic alliances which will succeed will be those between companies that have driving forces and areas of excellence that align to create synergies. | |
| <u>Schematic - The Strategic Thinking Process</u> | Page 8 |

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