

WINNING BEHAVIOR

What the Smartest, Most Successful Companies Do Differently

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MAIN IDEA

Winning companies don't necessarily have better products or lower prices than their competitors. Instead, they treat their customers better than anyone else. In this way, they earn what can be termed as "behavioral differentiation" (BD) – they differentiate themselves by treating their customers better.

Accordingly, highly successful companies organize themselves around the ideal of providing exceptional service to their customers. Their leadership, culture, processes, reward systems and infrastructure are all geared towards making the delivery of exceptionally good behavior the norm rather than the exception. In this way, behavioral differentiation becomes the foundation for a sustainable competitive advantage.

The new imperative in business today is not to keep coming up with new and improved products, or to drive prices down continually lower. Instead, the challenge today is to organize your firm to consistently out-behave your rivals.

"We believe that behavioral differentiation is emerging as the final frontier in competitive strategy. It is the one domain of differentiation where you can still achieve and sustain significant gains. To be sure, it's not a substitute for product quality, price competitiveness, or customer satisfaction. Among excellent companies today, these are requisites. Without them, you will not even be in the game. But when you and your rivals all have met these criteria, behavioral differentiation can turn the tide in your favor. It can make the difference when your customers are unable to tell you and your competitors apart on technical capability, product quality, price and other traditional differentiators."

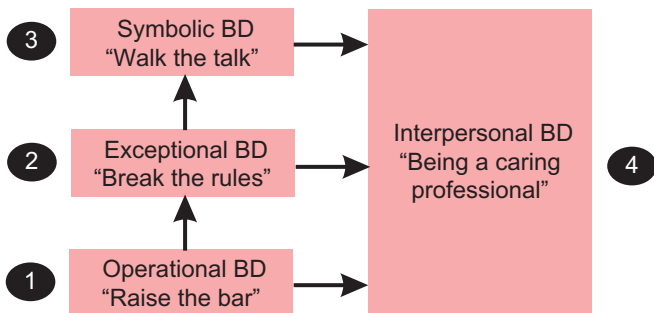
– Terry Bacon and David Pugh

1. The concept of behavioral differentiation Page 2

Winning companies out-behave their less-successful rivals. They become the suppliers of choice for their customers because customers like working with them. This is the essence of the concept of behavioral differentiation (BD) – making customers want to do business with you even though there are many other choices available in the marketplace. In an era of superior products, high levels of service and rivals who can readily copy your offerings, BD is the sole remaining domain where a competitive advantage can be gained and then sustained.

2. The four frontiers of behavioral differentiation Pages 3 - 5

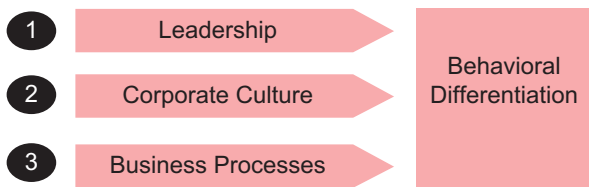
In practice, there are four fronts on which behavioral differentiation can be created:



Most companies start out providing operational BD first. They then extend into exceptional BD as their employees become more confident about making decisions. When these two types of BD become ingrained in the fabric of the organization, symbolic BD is achieved. All three of these BD types (operational, exceptional and symbolic) will have a halo effect, thereby creating strong interpersonal BD.

3. How to create and sustain behavioral differentiation Pages 6 - 8

The secret to creating and then sustaining BD is to manage your customer's experience from start to finish. To achieve that consistently, you must have three elements working together effectively and efficiently:



When all these elements come together well, you can design and deliver interactions that will surpass whatever a customer would experience by doing business elsewhere. That is the essence of sustainable behavioral differentiation.

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