Strategy and Competition

Critical Components for Organizational Success

by Jon Craighead

This is the second in a series of articles studying the different roles of strategy in today's business and organizational environment. Strategy is the linchpin in the system that drives the activities needed for success.

In the recent past, most industries were heavily regulated, which provided safety and order to businesses. Markets were protected, and dominant market positions were the rule. In a recent interview on Charlie Rose, former American Airlines President Bob Crandall lamented the good old days of airline industry regulation and how the removal of those restrictions adversely impacted profitability and caused the disappearance of many carriers. With today's continuing expansion of deregulation in all industries, no company or organization can afford to ignore the need to compete. *"Every company must try to understand and master competition."* So says Michael Porter of Harvard, someone who has spent many years investigating this subject.

It becomes the leader's responsibility to carve out a competitive position in the diverse marketplace that separates her business from that of other marketers. In my previous article "The Importance of good Strategy," I refer to Porter's five forces. This is the point where strategy and competition meld. New entrants into the marketplace often repeat the common mistake of attempting to best already-established and successful businesses. This error is usually generated by the underlying conviction that it is unconscionable to leave any business on the table, thereby attempting to be all things to everyone. This is one of the entrapment outcomes in the pursuit of best-practices; however, the cost of such philosophy leaves businesses being part of the herd – one of many with nothing to differentiate themselves.

Strategically, it is imperative to create a unique product or service offering. In any strategic undertaking, detailed empirical study and thought should be applied with utmost integrity. Even in a crowded field, businesses can provide unique core offerings in such areas as pricing, quality, convenience, speed, variety, and service, to name a just few. Also vital to the strategy design is focus, or the elimination of market mass. Focus can be territorial, industrial, geographical, transportation, trade routes, market flow, etc.

Regardless of your particular strategy, you must deliver what you promise. Failure to provide what you promised puts you in a worse position than if you had made no sale. Having disgruntled customers is ten times worse than having no customers. Making casual assumptions about your customer relationships or taking off-the-cuff actions is always counter-productive at best and potentially disastrous.

A good place to start is to discover what's missing and needed in the service of the potential customer within your designated marketplace so that you can create your niche and declare your unique value proposition. There are many ways to accomplish this, such as conducting surveys, studying buying trends and counter trends, and market research. Knowing what the potential customer wants is important too, but not absolutely necessary. If you follow the Apple/Jobs philosophy, you may design and offer products that the customer didn't know he needed and now can't live without.

Good strategy design is not a haphazard process. It requires as much empirical data as possible to provide the reliable information necessary to make reasoned choices regarding your position in the marketplace. Most importantly, a skillful and ongoing strategy review is a necessity and a primary responsibility of leadership.

The days when you could open a fruit stand and become a competitive business are rapidly disappearing. Only those enterprises that meet the challenging demands of the public will survive to compete in tomorrow's market. Strategy-centric entrepreneurs will be the key players in providing us with the goods and services we'll need to accomplish our commitments and goals and forge a path to a brighter future.

In summing up the key points here, strategy begins with seeing competition as the lifeline of business. Good strategy design follows a solid, step by step methodology in clarifying the critical components of your product or service offerings. Complete and reliable information determine the difference between strategic success or failure.

As important as the design process is in the success of your strategy, effective implementation ultimately assures the accomplishment. In my next article I will look at what it takes to effectively implement a new strategy.