COMPETING FOR THE FUTURE

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Strategy as Stretch

Strategy must be built upon where the firm IS, and where it WANTS TO BE in future.

It is not the cash that fuels the journey to the future, but the emotional & intellectual energy of every employee.

Imagine that you were an investor a decade or two ago, & you were asked to select between the following pairs of firms as a long-term investment opportunity. Then, where would you have put your money?

• General Motors	• Toyota
• CBS	• CNN
• Pan Am	• British Airways
• RCA	• Sony

Most of the investors would probably want to invest in the firms in the left column. Why?

Because these firms had strong reputations, technological richness & deeper pockets. They could hire the most talented people in their industry, had sizable market shares, and in most cases, they had a worldwide distribution presence. In short, they had lots of resources. Yet, they had lost much of their leadership to firms with far fewer visible resources.

Why Companies Fail

A company's profitability falls when a company loses its competitive advantage. The company does not necessarily fail, but it may just have average or below average profitability. It can remain in this mode for a considerable period of time, even though its resources and capital base is shrinking. Failure implies something more drastic. A failing company is one whose profitability is now substantially lower than the average profitability of its competitors; it has also lost the ability to attract and generate resources, so its profit margins and invested capital are shrinking rapidly.

Let us take the example of RCA Vs SONY-

RCA (Producer of one of the world's outstanding research laboratories), had almost single-handedly created the color television industry in U.S., and every competitor relied on RCA patents. How could Sony then out-innovate the U.S. consumer electronics pioneers?

Conclusion: The initial resource positions are a very poor indicator of future industry leadership. A firm can always sit on a huge amount of cash and talented people, and still lose its preeminent position. Likewise, a firm can sometimes overcome enormous resource handicaps & successfully scale the heights of industry leadership.

The point here is that, too often, competitors are judged in terms of resources rather than resourcefulness, which is very important.

Resourcefulness stems not from an elegantly structured strategic architecture but from a deeply felt sense of purpose, a broadly shared dream, and a truly attractive view of tomorrow's opportunity.

For such a dream, Strategic intent is the term.

Strategic Intent

Strategic intent implies a significant stretch for the organisation where current capabilities and resources are insufficient to task.

Strategic intent is the source providing emotional & intellectual energy to break through the limitations. Therefore, it implies:

- A sense of direction –A particular point of view about the long-term market that a firm hopes to build over the coming decade.
- A sense of discovery – Strategic intent is differentiated; it implies a competitively unique point of view about the future.
- A sense of destiny – Strategic intent has an emotional edge to it. It is a goal that employees perceive as inherently worthwhile.

Strategic architecture

A strategic architecture identifies what we must be doing right now to intercept the future. It is the essential link between today and tomorrow, between short-term and long-term. It shows the organization what competencies it must begin building right away, what new customer groups it must begin to understand immediately, what new channels it should be exploring, what new development priorities it should be pursuing to intercept the future.

Strategic architecture is a broad opportunity approach plan. The question addressed by a strategic architecture is not what we must do to maximize our revenues or share in an existing product market, but what we must do today in terms of competence acquisition, to prepare ourselves to capture a significant share of the future revenues in an emerging opportunity arena.

Strategy as Leverage

Stretch & Leverage are blood relations.

Example: - Imagine 2 firms competing in the same industry: 'Alpha' has a wealth of resources of every kind – human talent, technical skills, distribution access, brands, manufacturing facilities & cash flow. Alpha has no particular aspiration other than to remain at the top at present. So Alpha's resources can thus be described as substantial and its aspirations as modest.

'Beta' is much smaller than Alpha and has far fewer tangible resources. It has no choice but to make do with fewer people, a smaller capital budget, more modest facilities and a fraction of Alpha's R&D spending. But Beta possesses a grand ambition; it has every intention of knocking Alpha off from its leadership. To accomplish this, Beta managers know that they must grow faster than Alpha, develop more & better products, and be present in all the world's major markets, build a credible worldwide brand franchise & so on. Beta is the mirror image of Alpha: Beta is resource-poor but aspiration-rich.

The gap between Alpha's resources and aspirations can be described as "slack" & that of Beta as "stretch". With this knowledge, one can reasonably predict that the two firms will adopt fundamentally different approaches to competitive strategy and each will exhibit different degrees of creativity in leveraging its resources.

Achieving Resource Leverage

It can be achieved in 5 fundamental ways:-

1. By more effectively concentrating resources on key strategic goals.
2. By more efficiently accumulating resources.
3. By complementing resources of one type with those of another to create higher-order value.
4. By conserving resources wherever possible.
5. By rapidly recovering resources by minimizing the time between expenditure & pay-back.

Aspects of Resource Leverage:-

- Converging – Building consensus on strategic goals.
- Focusing – Specifying precise improvement goals.
- Targeting – Emphasizing on high-value activities.
- Learning – Fully using the brain of every employee.
- Borrowing – Accessing the resources of partners.
- Blending – Combining skills in new ways.
- Balancing – Securing the critical complementary assets.
- Recycling – Reusing the skills & resources.
- Co-opting – Finding common cause with others.
- Protecting – Shielding resources from competitors.
- Expediting – Minimizing time to payback.

To Summarize

The real issue for many struggling managers is not a lack of resources, but too many priorities, too little stretch, and too little creative thinking about how to leverage resources. Lack of resources is not the problem, but the use of available resources in effective & efficient ways should be the main area of concern.

References

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