

Corporate Strategy

Class 15 Reading

New-game strategies

- To win: Adopting an innovative approach to doing business and rewriting the rules of the game
- Combining a different technology with different manufacturing, distribution and service approaches

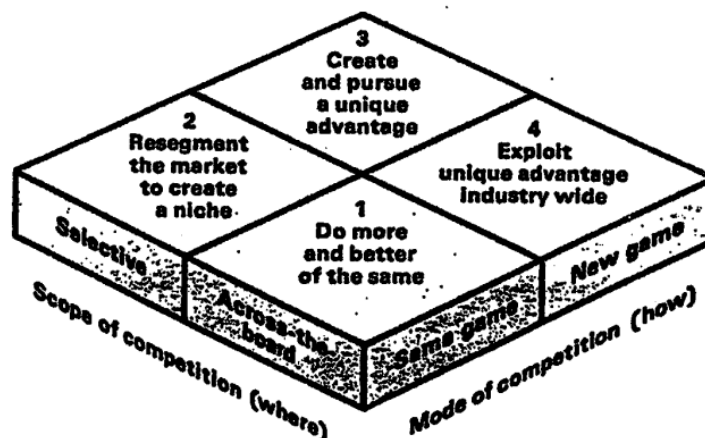
1. Rewriting the rules

- Increase the chances of winning by redefining the game
- Innovate competitive move = new-game strategies

2. The strategic gameboard

- The first rule for gaining or sustaining an advantage over the competition is to control the conditions of the game.
- Continually weighing the company's strengths, vulnerabilities and resources against the competition.
- Where to compete, how to compete and when to compete

Exhibit I The strategic gameboard



3. Same-game strategies

- 2nd quadrant: seek to gain a competitive advantage selectively by trimming their ambitions to match their resources, and concentrating on market niches in which they can bring particular strengths to bear.

4. New-game strategies

- The truly decisive contests are being waged by a handful of companies who have chosen to try their fortunes on the new-game side.
- They are competitor-focused rather than market-focused.
- Innovation rather than adaptation is the objective.
- A company that takes the new-game, across-board route to market dominance rewrites the rules for an entire market or industry.
- The company pursuing a new-game strategy may actually establish a new set of key success factors in the market or market segment it has chosen to serve.
- By rewriting the rules and mastering the new game first, the innovator gains a unique advantage.

5. Timing

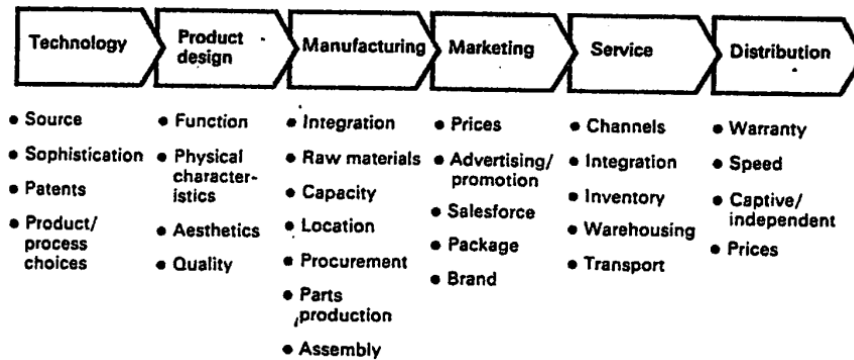
- Sometimes companies planning to compete across the board with a new-game strategy begin with a selective new-game strategy and move across the board only after successfully redefining a portion of the market or creating a new segment.

6. Redefining the market

- How do the innovative marketers hit on their strategic masterstrokes?
- The thinking behind same-game strategies is basically deductive and analytical.
- By contrast, the thinking behind new-game strategies is a quest for new combinations. It is intuitive and opportunistic. It searches out ways to influence the environment, redefine the boundaries of the market, or reshape market behavior to fit the company's strengths.
- Sets of variables: customers and competitors & the business system and the business environment

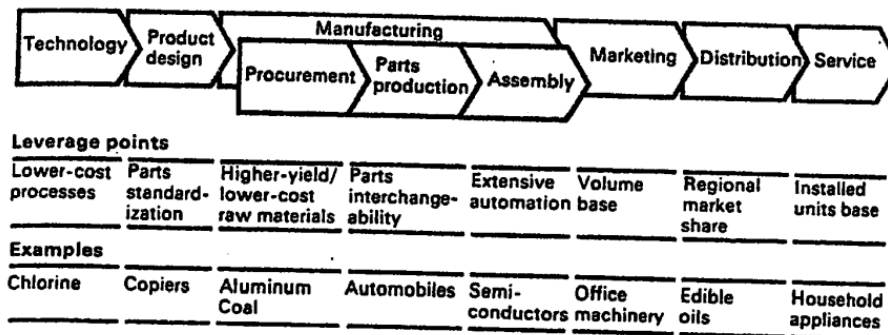
7. The business system

Exhibit II The business system



- The business system framework can be used to discover the sources of greatest economic leverage in business.

Exhibit III Sources of economic leverage in the business system



- Two factors into a successful venture: 1) the timing of the move and 2) ability to turn a series of constraints into a totally different but very consistent business system coupled with a new concept of market requirements.

8. The business environment

- Careful tracking of what is going on among suppliers and customers, given a good understanding of the economics of their business systems, can sometimes uncover an opportunity to seize a competitive advantage.

9. Making it happen

- To upset the competitive balance and rewrite the rules of the game for an industry calls not only for exceptionally imaginative entrepreneurial thinking but for

uncommonly strong and sustained commitment. Inevitably, both must start with a strong lead from the top.

- The chief executive should take particular care. This means, above all, visibly concentrating his own time and attention on key strategic functions (e.g., R&D or marketing) and activities (competitor analysis, for example).
- It also means encouraging open communication and, in most cases, downplaying rank and protocol by giving special recognition to bright junior executives.
- Successful risk-takers and innovators are seen to reap the kudos and financial rewards.