The following is a highlighted summary of the book, Competing for the Future, *published by Harvard Business School Publishing. The statements below are key points of the book as determined by James Altfeld and have been made available at no charge to the user.*

Competing for the Future

By

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Look around your company. Look at the high profile initiatives that have been launched recently. Look at the issues that are preoccupying senior management. Look at the criteria and benchmarks by which progress is being measured. Look at the track record of new business creation. Look into the faces of your colleagues and consider their dreams and fears. Look toward the future and regenerate success again and again in the years and decades to come.

Now ask yourself: Does senior management have a clear and broadly shared understanding of how the industry may be different ten years from now? Are its headlights shining farther out than those of competitors? Is its point of view about the future clearly reflected in the company's short term priorities? Is its point of view about the future competitively unique?

Ask yourself: How influential is my company in setting the new rules of competition within its industry? Is it regularly redefining new ways of doing business building new capabilities, and setting new standards of customer satisfaction? Is it more a rule maker than a rule taker within its industry? Is it more intent on challenging the industry status quo than protecting it?

Ask yourself: Is senior management fully alert to the dangers posed by new, unconventional rivals? Are potential threats to the current business model widely understood? Do senior executives possess a keen sense of urgency about the need to reinvent the current business model? Is the task of regenerating core strategies receiving as much top management attention as the task of reengineering core processes?

Ask yourself: Is my company pursuing growth and new business development with as much passion as it is pursuing operational efficiency and downsizing? Do we have as clear a point of view about where the next $10, $100, Million or $1Billion of revenue growth will come from as we do about where the next $10Million, $100Million or $1Billion of cost savings will come from?

Ask yourself: What percentage of our improvement efforts (quality improvement, cycle time reduction, and improved customer service) focuses on creating advantages new to the industry, and what percentage focuses on merely catching up to our competition? Are competitors as eager to benchmark us as we are to benchmark them?

Ask yourself: What is driving our improvement and transformation agenda – our own view of future opportunities or the actions of our competitors? Is our transformation agenda mostly offensive or defensive? Opportunistic or reactionary?

Ask yourself: Am I more of a maintenance engineer keeping today's business humming along, or an architect imagining tomorrow's business? Do I devote more energy to prolonging the past than I do creating the future? How often do I lift my gaze out of the rut and consider what's out there on the horizon?

And finally, what is the balance between hope and anxiety in my company; between confidence in our ability to find and exploit opportunities for growth and new business development and concern about our ability to maintain competitiveness in our traditional businesses; between a sense of opportunity and a sense of vulnerability, both corporate and personal?

What percent of your time is spent on external rather than internal issues?

Of the time looking outward, how much of it is spent considering how the world could be different in five or ten years, as opposed to worrying about winning the next big contract or how to respond to a competitor's pricing move? Of the time devoted to looking outward and forward, how much of it is spent in consultation with colleagues, where the objective is to build a deeply shared, well tested view of the future, as opposed to a personal and idiosyncratic view?

In our experience, about 40% of senior executives time is spent looking outward, and of this time, 30% is spent peering 3, 4, 5 plus years into the future. And of the time spent looking forward, no more than 20%is spent attempting to build a collective view of the future (the other 80% is spent looking at the future of the manager's particular business). Thus, on average, senior management is devoting less than 3% (40% x 30% x 20% = 2.4%) of its energy to building a corporate perspective on the future. In some companies the figure is less than 1%.

Questions go unanswered because to address them senior managers must first admit, to themselves and to their employees, that they are less than fully in control of their company's future.

So the urgent drives out the important, the future goes largely unexplored; and the capacity to act, rather than the capacity to think and imagine, becomes the sole measure of leadership.

If it is not the future, just what is occupying senior management's attention? Restructuring and Reengineering. They have more to do with shoring up today's business than creating tomorrow's industries. Neither is a substitute for imagining and creating the future. Neither will ensure continued success if a company fails to regenerate its core strategies.

When a competitiveness problem (stagnant growth, declining margins, and falling market share) finally becomes inescapable, most executives pick up the knife and begin the brutal work of restructuring. The goal is to carve away layers of corporate fat, jettison underperforming businesses, and raise asset productivity. Emergency Room Surgery.

Speed, Agility and Responsiveness
It is not enough for a company to get smaller, better and faster, as important as these tasks may be; a company must also be capable of fundamentally reconceiving itself, of regenerating its core strategies, and of reinventing its industry. In short, a company must also be capable of getting different.

Our premise is that a company can control its own destiny only if it understands how to control the destiny of its industry. Organizational transformation is a secondary challenge. The primary challenge is to become the author of industry transformation.

The real issue is whether transformation happens belatedly in a crisis atmosphere – or with foresight – in a calm and considered atmosphere; whether the transformation agenda is set by more prescient competitors or derives from one's own point of view about the future;

Only when restructuring and reengineering fail to halt corporate decline do most companies consider the need to regenerate their strategy and reinvent their industry.

However lean and fit an organization, it still needs a brain. But the brain we have in mind is not the brain of the CEO or strategic planner. Instead it is an amalgamation of the collective intelligence and imagination of managers and employees throughout the company who must possess an enlarged view of what it means to be strategic.

Not Only	**But Also**
The Competitive Challenge	
Reengineering processes	Regenerating strategies
Organizational transformation	Industry transformation
Competing for market share	Competing for opportunity share
Finding the Future	
Strategy is learning	Strategy is forgetting
Strategy is positioning	Strategy is foresight

Strategic plans	Strategic architecture

Mobilizing for the Future

Strategy as fit	Strategy as stretch
Strategy as resource allocation	Strategy as resource Accumulation and Leverage

Getting to the Future First

Competing within an existing Industry structure	Competing to shape future industry structure
Competing for product leadership	Competing for core Competence
Competing as a single entity	Competing as a coalition
Maximizing the ratio of new products	Max. the rate of new market learning
Minimizing time to market	Minimizing time to global Preemption

To compete successfully for the future, senior managers must first understand just how competition for the future is different from competition for the present. The differences are profound. They challenge the traditional perspectives on strategy and competition. Competing for the future requires not only a definition of strategy, but also a redefinition of top management's role in creating strategy.

The question that must be answered by every company is, given the current skills or competencies, what share of future opportunities are we likely to capture? Which new competencies would we have to build and how would our definition of our "served market" have to change for us to capture a larger share of future opportunities?

It is not about product vs. product or business vs. business, but company vs. company. Competing for the future must be a corporate responsibility. The competencies needed to access the new opportunity arena may well be spread across a number of business units, and it is up to the corporation to bring these competencies together at the appropriate point within the company. GE used its boundaryless philosophy to accomplish this.

Given our particular portfolio of competencies, what opportunities are we uniquely positioned to exploit?

How do we orchestrate ALL the resources of the firm to create the future?

What can we do that other companies might find difficult to do?

Few companies can create the future single-handedly; most need a helping hand.

The need to bring together and harmonize widely disparate technologies, to manage a drawn-out standards setting process, to conclude alliances with the suppliers of complementary products, to co-opt potential rivals, and to access the widest possible array of distribution channels, means that competition is as much a battle between competing and often overlapping coalitions as it is a battle between individual firms. Competition for the future is both inter corporate and intercoalition.

The two most important ways in which the competition for the future is different from competition for the present: 1. It often takes place in unstructured arenas where the rules of competition have yet to be written, and 2. It is more like a triathlon than a 100 meter sprint.

Strategy seems to be more concerned with how to position products and businesses within the existing industry structure than how to create tomorrow's industries. **Strategic Thinking is NOT about products, services or businesses. It is envisioning the future of your industry and then going out to create it.** Of what use are the traditional tools of industry and competitor analysis to executives caught up in the melee to create the world's digital future, or to managers trying to understand the opportunities presented by the collapsing boundaries of the financial services industry or the genetics revolution.

Traditional planning seeks to position the firm optimally within the existing structure by identifying which segments, channels, price points, product differentiators, selling propositions and value chain configurations will yield the highest profits. **The goal is to occupy the high ground in tomorrow's industries.**

Strategy is as much about competing FOR tomorrow's industry structure as it is about competing WITHIN today's industry structure. Competition within today's industry structure raises issues such as: What new features should be added to a product? How can we get better channel coverage? Should we price for maximum market share or maximum profits? Competition for tomorrow's industry raises deeper questions, such as: Whose product concepts will ultimately win out? Which standards will be adopted? How will coalitions form and what will determine each member's share of the power? And, most critically, how do we increase our ability to influence the emerging shape of a nascent industry?

Conceiving of strategy as a quest to proactively configure nascent industries, or fundamentally reconfigure existing industries to one's own advantage, is a very different perspective than a view of strategy as positioning individual businesses and products within today's competitive environment. If the goal is competing for the future, we need a view of strategy that addresses more than the problem of maximizing profits in today's market.

Competition for Industry Foresight and Intellectual Leadership
Is competition to gain a deeper understanding than competitors of the trends and discontinuities – technological, demographic, regulatory, lifestyle – that could be used to transform industry boundaries and create new competitive space. This is competition to be prescient about the size and shape of tomorrow's opportunities. This is competition to conceive fundamentally new types of customer benefits, or to conceive radically new ways of delivering existing customer benefits. It is competition to imagine the future.

In between the battle for intellectual leadership and the battle for market share is typically a battle to influence the direction of industry development. Dreams don't come true overnight, and the path between today's reality and tomorrow's opportunities is often long and arduous.

If competition in the first stage is competition to imagine a new opportunity arena, competition in the second stage is competition to actively shape the emergence of that future industry structure to one's own advantage.

Competition for the future can be likened to pregnancy. Like competition for the future, pregnancy has three stages – conception, gestation and labor and delivery. It is the third phase of competition that is the focus of attention in most strategy textbooks and strategic planning exercises. Most people spend too much time in the delivery room, waiting for a miracle of birth. But as we all well know, the miracle is most unlikely, unless there has been some activity nine months prior. Spend less time managing the present and more time on creating the future.

Evolution is a slow process, relying as it does on small, unplanned, genetic mutations. Fortunately for corporate dinosaurs, a company's genetic coding can be altered in a variety of ways. Any company that fails to reengineer its genetic coding periodically will be as much at the mercy of environmental upheaval as the tyrannosaurus rex.

Every manager carries around in his or her head a set of biases, assumptions and presuppositions about the structure of the relevant industry. That is genetic coding.

Genetic coding also encompasses beliefs, values and norms about how best to motivate people; the right balance of internal cooperation and competition; the relative ranking of shareholder, customer and employee interests; and what behaviors to encourage and discourage.

When that environment changes rapidly and radically, those beliefs may become a threat to survival.

A manager's genetic coding establishes the range and likelihood of responses in particular situations. In this sense they bound or frame a firm's perspective on what it means to be strategic, the available repertoire of competitive stratagems, and the interests that senior management serves, the choice of tools for policy and deployment, ideal organization types, and so on. All this limits the managers' perception to a particular slice of reality.

The deeply encoded lessons of the past that are passed from one generation of managers to another pose two dangers. 1. We may come to forget over time, why we believe what we believe. (Alexander the Great's Rose bush)   2. Managers may come to believe that what they don't know isn't worth knowing. Yesterday's good ideas become today's policies and guidelines and tomorrow's mandates. Dogmas go unquestioned and seldom does anyone ever stop to ask how everything was put into place in the first place. How did this policy, how did this procedure, how did this process come to be? Why?

4 monkeys in a room. In the center of the room is a tall pole with a bunch of bananas suspended from the top. One of the four monkeys scampers up the pole and grabs the bananas. Just as he does, he is hit with a torrent of cold water from an overhead shower. He runs like hell back down the pole without the bananas. Eventually, the other three try it with the same outcome. Finally, they just sit and don't even try again. To hell with the damn bananas. But then, they remove one of the four monkeys and replace him with a new one. The new monkey enters the room, spots the bananas and decides to go for it. Just as he is about to scamper up the pole, the other three reach out and drag him back down. After a while, he gets the message. There is something wrong, bad or evil that happens if you go after those bananas. So, they kept replacing an existing monkey with a new one and each time, none of the new monkeys ever made it to the top. They each got the same message. Don't climb that pole. None of them knew exactly why they shouldn't climb the pole, they just knew not to. They all respected the well established precedent. EVEN AFTER THE SHOWER WAS REMOVED!

FOUR QUESTIONS TO ASK SENIOR MANAGEMENT

1. How many of you have spent your entire professional life in this industry
2. How many of you have worked only for this company during your career
3. How many of you got to the top of this company through sales and marketing
4. How many of you have ever worked for more than five years consecutively outside the United States

UNLESS THE COMPANY DID SOMETHING TO DRAMATICALLY INCREASE GENETIC VARIETY, IT WOULD FIND IT VERY DIFFICULT TO COMPETE WITH NEW, NONTRADITIONAL COMPETITORS.

In a relatively stable industry, you have to ask, are the incumbents spending most of their time watching one another? When you ask the managers of various companies within the same industry, what is the secret to making money in this industry, do you get the same answer?

Senior executives are prone to believe that their company's status confirms that they know more about the industry, customer needs, competitors and how to compete than the people they manage. But what they know more about is, all too often, the past. The rules *of competitive success in yesterday's world were etched into their minds as they climbed the corporate ladder. Unless these perceptual barriers, these bulwarks against the unconventional, are breached, a company will be incapable of inventing its future.*

Intellectual property steadily depreciates and gets old fast. As a matter of fact, what you know about your industry is worth less right now than it was five minutes ago. Any time you think you know more about how the industry works than you ACTUALLY do and where what you know is out of date, you are a company in trouble.

We get complacent with our success. We must be doing the right thing, we're rich! So, doing more of the same thing must be a great idea. And, if our competition isn't doing it the way we are, they must be stupid. Maybe that's why GM was more concerned with Ford than Toyota and Nissan. CBS, NBC and ABC watched each other and never saw CNN.

There needs to be a constant influx of new blood to inbreed with existing blood. We are not seeking a mutation, but a hybrid. Hire managers from the outside who can bring in new and fresh ideas. Don't raid your competition; you will only be able to do better at the same old thing. The problem with it is that it is a slow process.

What works faster is to get your people to keep an open mind and an open eye to new things. "Get that machine gun outta here Mr. Gatling, I'm too busy reloading my single shot rifle." You can also hire and reward people who are open to new ideas and who seek them out.

IBM's motto used to be "THINK" but the rider should have been, "But for crissakes, don't everyone think alike!!" Senior management must learn to reward unorthodoxy!

We need to start unlearning things. Children learn faster than adults because they have little to unlearn.

To be a challenger once, it is enough to challenge the orthodoxies of the incumbents; to be a challenger twice, a firm must be capable of challenging it own orthodoxies.

To reinvent its industry a second time, a challenger must regenerate its core strategies.

Where a company is going is more important than where it is coming from.

What prevents companies from creating the future is an installed base of thinking – the unquestioned conventions, the myopic view of opportunities and threats, and the unchallenged precedents that comprise the existing managerial frame. That's what makes Welch so unique. Creating the future doesn't require a company to abandon all of its past. But instead, it needs to ask itself, what part of the past can we use to catapult us into the future, and what part of our past represents excess baggage. Too often, senior management has an emotional tie to the past, because that is what got them to where they are now. Without that tie to the past, the realization that their own intellectual capital, that has been accumulated over a life time of work, may be of little if any value in a radically changing industry. For those who built the past, the temptation to preserve it can be overwhelming.

<u>To escape the gravitational pull of the past, managers must be convinced that future success is less than inevitable. No company will walk away form some of its past unless it feels that repeating the past won't guarantee success. An urgency to break from the past must prevail. But you're going to have to create this urgency while the company is still at the peak of its success.</u>

There is a big difference between a sense of urgency and a sense of anxiety. Anxiety is the product of hopelessness. Urgency is knowing that something lies ahead, but there is still time to do something about it.

What are the top 5-6 fundamental industry trends that most threaten the company's continued success?

You cannot intercept the future by repeating the past.

Vision: To be the premier service provider in our industry. How can you be the premier service provider unless you have the premier customers in the industry?

Credo: Rise to the challenge

Industry vision or foresight gives a company the potential to get to the future first and stake out a leadership position. The trick is to see the future before it arrives. TAKE THE HIGH GROUND! **Prescience: Knowledge of actions or events before they occur; foreknowledge; foresight. Foresight: The act of looking forward. Foresee: To see or know beforehand Vision: A mental image produced by the imagination. Unusual competence in discernment or perception; intelligent foresight. Visionary: Characterized by vision or foresight. Having the nature of fantasies or dreams. Given to apparitions, prophecies or revelations.**

Foresight helps answer three key questions:

1. What new types of customer benefit should we seek to provide in five, ten, or fifteen years?
2. What new competencies will we need to build or acquire to offer those benefits to customers
3. How will we need to reconfigure the customer interface over the next several years.

The future is all about benefits, competencies and customer interface.

Visions that are as grandiose as they are poorly conceived deserve to be criticized, as do companies that seem to prefer rhetoric to action. All too often the Vision is no more than window dressing for a CEO's ego driven acquisition binge. This is why the CEO alone should not be expected to create it. Any vision that is merely an extension of the CEO's ego is Dangerous.

Creating industry foresight and achieving operational execution are equally challenging tasks.

Someone might say, "We don't need no stinking vision. What we need is a lower cost structure, better quality and faster development times." So why didn't you begin working on this a decade ago? How did you so overwhelmingly underestimate the forces that abound and the downward pressures they have put on you to cause you to have to do these things now that they have become so urgent?

Few senior management teams seem to be fully conscious of their responsibility to develop industry foresight; who understand that unless they first win today's battle for intellectual leadership, they will be unlikely to win tomorrow's battle for market leadership. Success today does not guarantee success tomorrow.

We find few senior management teams that spend as much time on opportunity management as they do on operations and crisis management.

Why are there acquisitions? Because it is easier to buy something that you need that is already in place than to start anew from scratch.

Where does industry foresight come from? How is it possible to validate foresight when it has not happened yet? What prevents companies from anticipating the future is not the that the future is unknowable, but that it is different. The future IS predictable, but hardly anyone ever predicts it.

The goal is not to develop a contingency plan around a few most likely scenarios. We must begin with what COULD be and then work back to what MUST happen for the future to come about. To create the future you must first be able to imagine it. To create both a visual and verbal presentation of what the future could be.

It grows out of a child like innocence about what could be and should be, out of a deep and boundless curiosity on the part of the senior executives and out of a willingness to speculate about issues where one is as of yet, not an expert.

Too often the problem is that managers tend to look at the future through the narrow aperture of existing served markets. To really compete in the future, you must enlarge your opportunity horizon. Look at your portfolio of core competencies instead of your business units. Don't look at your current products, but your current and future capabilities. Look at your company as a portfolio of competencies.

The 75/25 Rule

Look to the white spaces. Find your niche.

To see the future a company must be capable of escaping a narrow and orthodox view of "What business are we in." and "What is our product or service?"

Kids are naïve. They don't know what is possible and impossible. Why can't you touch the stars, they ask. Adults are smart. They know the possible from the impossible. So they don't ask silly questions and don't hope for the impossible. And when confronted with a child's mind, they quickly dismiss it and say, "Because that's the way it is!" (Back to the monkeys up the pole.) But it needn't be that way. Why not ask "Why couldn't it be different?" Having watched her father snap a picture, Dr. Edward Land's 3 year old daughter asked if she could see the results NOW. That innocent question set Dr. Land off to create instant photography. Years later Land was quoted, "We really don't invent new products…, the best one's are already there, only invisible, just waiting to be discovered."

We need to begin challenging everything by asking, "Why Can't", Why Couldn't" , "Why Not" , "Why"?

We need to not only challenge the norm, but expand our peripheral vision. To look within other industries for new ideas and adapt them to ours. To become more curious about everything.

We need a concerted effort to gain a deeper understanding into the emerging expectations of the company's next generation of customers. Seeing the future may be more about having a wide angle lens than a crystal ball.

What are the Forces already at work in this industry that have the potential to profoundly transform industry structure?

To build industry foresight, senior management must be willing to move far beyond the issues on which it can claim expert status. It must admit that what it knows most about is the past. It must be willing to participate in debates about the future as equals, not as omnipotent judges. It must be willing to listen to voices in the company that are unconventional and less experience. Voices that raise questions for which there are no ready answers. Impatient results oriented sr. executives must be willing to come back again and again to issues that are complex and seemingly indeterminable; they must be patient with open-ended discussions that yield not quick answers and produce no immediate decisions. They must recognize that building industry foresight is, at least initially, as much about discovering as deciding.

The future is to be found in the intersection of change in technology, lifestyles, regulation, demographics and geopolitics.

Seeing the future first requires not only a wide angle lens, it requires a multiplicity of lenses.

Imagine if you were asked to stop using the telephone. You could never place another call. Then, what happens if you are asked to stop using your personal computer, too? The reality is that they have become core to how you live. Then ask 1. How do I take advantage of what is core now? 2. What will become core next?

Those who are alert to opportunities to learn from other industries and who search for relevant analogies, often get a head start on the road to the future.

Companies that create the future are rebels. They're subversives. They break the rules. They are filled with people who spent time in the principal's office as kids. Because they are always challenging the status quo.

But the goal to the future cannot necessarily be customer driven. Customers are notoriously lacking in foresight. None of them ever asked for the cellular phone, the PC, fax machines, the 24 hour discount brokerage, the internet, e-mail, multivalve engines, CDs, DVDs, VCRs, home shopping network, or automated teller machines.

Our plan is to lead the public with new products rather than ask them what kind of products they want. The public does not know what is possible, but we do. So instead of doing a lot of market research, we refine our thinking on a product and its use and try to create a market for it by educating and communicating with the public.

There are 3 kinds of companies. Companies that try to lead the customers where they don't want to go; companies that listen to customers and then respond to their articulated needs; and companies that lead customers where they want to go, but don't know yet. Companies that create the future do more than satisfy customers, they constantly amaze them. Giving them something that does not yet exist, but that if it did exist and the customer was made aware of its existence and was told how to use it, would beat a path to your door to buy it.

Hal Sperlich, the father of the Minivan, first took the idea to Ford. Ford could not be convinced that a market existed for the Minivan because a Minivan did not exist at the time. There was not history and no hard data to go back on. Vision vs. No vision.

What range of benefits will customers value in tomorrow's products, and how might we, through innovation, preempt competitors in delivering those benefits to the marketplace?

Being customer led begs the whole question of who are my customers. Today's customers may not be tomorrow's customers. The 30 year old who just bought that great 400 hp sports car is going to be 40 and 50 and will probably move on to a something more luxurious and less sporty. Tastes change, needs change, environments change, technologies change, regulations change, politics change, lifestyles change. Don't bet the bankroll of the future on your current customers.

Yes, ask about how well you are serving your customers today. Keep an eye on today. But also look towards the future. Bifocal vision. What are my current customer's needs?

What will their needs be tomorrow? What segment are not my customers. Which of their needs are being fulfilled now? Which are not? What will their needs be tomorrow? What opportunities are out there? What new or existing technologies can I apply to offer them something they don't now have but would love to have if they only knew about it.

As much as anything else, foresight comes as a result of really wanting to make a difference in someone's life. Your current and future customers. What is your total imaginable market?

Ok, you have your vision, mission, etc. Now you have to build it. You need strategic architecture, someone capable of building things that don't yet exist. Create a blueprint for how to turn your dream into reality.

To design the plan, the company must first agree on who should communicate with whom on what issues, how often and in what ways. Every company has a social architecture, alias a culture. It must have a set of values that predominate, what behaviors should be encouraged, what kind of people should feel comfortable working in the company.

A strategic architecture identifies what we must be doing right now to intercept the future. A strategic architecture 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 now, what new customer groups it must begin to understand, right now, what new channels it should be exploring , right now, what new development priorities it should be pursuing right now 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 must we do today in terms of competence acquisition, to prepare ourselves to capture a significant share of the future revenues in an emerging opportunity arena.

In determining how you get to the future, you can first look at it with NO restraints and "Think Like God." Then do a reality check and determine what needs to back off and what doesn't.

Furthermore, it must be understood by all employees. Nor does it last forever. Eventually, tomorrow will become today and yesterday's foresight becomes today's conventional wisdom. Because it is NOT cash that fuels the journey to the future, but the emotional and intellectual energy of every employee.

Add to the 3x5 card the question: "How will the future of your industry be different?" Let them determine how far out the future is and what industry we're talking about. How broadly did they interpret the question? How unique is their view of the future? Would the competition say "wow" or just yawn?

Strategic intent is strategic architecture capstone. A strategic architecture may point the way to the future, but it is an ambitious and compelling strategic intent that provides the emotional and intellectual energy for the journey. Architecture is the brain, intent is the heart. Together you get a sense of direction and a sense of destiny.

Lacking a compelling sense of direction, few employees will join in. They will not go that extra mile if they don't know where they are headed.

Most companies are over managed and under led. Far more effort goes into control than in providing direction.

In reality, the bureaucracy works not so much to keep people from changing direction, but to ensure that anyone who attempts to stray off the straight and narrow is going to be bogged down in the mud and stuck like an old shoe in a swamp. Bureaucracy is all about blocking and snuffing out initiative and creativity. "We don't know where in the hell we're going, but we're sure not going to stray from familiar paths."

Empowerment without direction is anarchy.

If you show a company their mission statement after about a year and put it up on a screen for all to see, they'll probably say, "Yeah, I kind of remember that looking familiar." But the truth is, you just put up their major competitor's mission statement! So the question is, what value is a mission statement if it is totally undifferentiated. If yours looks just like your competitors, neither of you will ever acquire the higher ground, you'll both continue to slug it out and you both will remain the same ad infinitum. That is until a more insightful, innovative and resourceful challenger comes along to knock both of you off.

Strategic intent must be a goal that commands the respect and allegiance of every employee. The destination must not only be different, it must be worthwhile. There must be a sense of Mission.

What will your company's legacy be? What will your legacy be?

"I have worked here for eight years. The pressure for yield improvement, quality improvement, cost improvement never goes away. But I never had any sense of being part of a worldwide team, fighting a worldwide war. And I never really understood the consequences of winning or losing."

Every company wants to grow and hit some sale revenue number. But the excitement for the employees is NOT about the growth, but WHAT it is growing toward. What will the company become, what will it look like when it hits that growth number.

Strategic Alignment:

Turning strategic intent into reality requires that every employee understand the exact way in which his or her contribution is crucial to the achievement of the strategic intent. Not only must everyone find the goal emotionally compelling, each employee must understand the nature of the linkage between his or her own job and the attainment of the goal. It must be personalized down to every employee. The first task is to set clear corporate challenges that focus everyone's attention on the next key advantage or capability to be built. Top management's job is to focus the organization's attention on the next challenge and the next after that.

It is undoubtedly true that you can't improve it if you can't measure it, but how many employees have a specific measure of their own performance that links individual achievement to the firms overall strategic intent? THIS IS WHERE WE MUST HAVE A QUARTERLY INDIVIDUAL EMPLOYEE CONTINUOUS IMPROVEMENT FORM FILLED OUT BY BOTH THE MANAGER/SUPERVISOR AND THE EMPLOYEE!!!

If you have to turn out 800 widgets in one month, when in fact you normally do 600, you need to let everyone throughout the company know that you need 800 widgets and why! Because in the absence of clearly specified challenges, employees are more or less powerless to contribute to competitiveness.

Management must let everyone know the magnitude of the task ahead and must also bear its share of the responsibility for poor performance, just as it would for great performance.

Management must allow the employees to challenge corporate orthodoxies and decisions. **The empowerment that counts the most is the freedom to challenge standard operating procedures.** Every employee must be allowed to challenge anything that interferes with the company's pursuit of it strategic intent. By doing so, you have focused the entire company, from top to bottom, on the same ultimate goal. For this to happen there must be a sharing of both pain and gain by management and the employees. The workers cannot be expected to take a disproportionate share of the blame for failure. And the employees must be given the tools they need to contribute to the cause.

The challenges set before each employee must dare them to do more than they thought possible. You must link the individual employee's contribution to the overall challenge and grant the employees freedom to contribute in ways that range far beyond the boundaries of their roles or organizational level. <u>Ask not what you accomplished today, but what did you contribute?</u>

The vision/mission needs to represent an ambition that stretches far beyond the current resources and capabilities of the company. Don't get stuck in the mud of today. Unshackle your thoughts and fly unencumbered in the freedom of tomorrow.

Too often management cannot get away from today's problems and opportunities. Their plans merely project the present in incremental steps. What must we be doing today to get us hooked up to where it is we want to be in the distant future?

The pursuit of a single strategic intent over a long period of time ensures that the efforts of individuals, functional departments, and entire business converge on the same goal. In most companies, this is not happening. The goal of strategic intent is to ensure that there is some cumulativeness to month by month and year by year decisions.

Convergence requires an understanding of how all the resources of the firm can be orchestrated to achieve a stretch goal, one that firms with a more fragmented sense of corporate priorities cannot hope to achieve.

What prompts a change in strategy in a large company is NOT a new competitor, new technology or regulatory upheaval. It is a new executive in the corner office.

If convergence protects against the divergence of goals over time, focus protects against the dilution of resources at a particular point in time. We believe that too many firms, finding themselves behind on cost, quality, cycle time, customer service and other parameters, attempt to put everything right simultaneously, then wonder why progress is so painfully slow. Time was invented so you would not do everything at once! As a rule of thumb, no one group of employees can attend to more than two key operational improvement goals at a time.

Focus is not an excuse to ignore everything else. In providing operational focus, top management simply predetermines the trade offs it expects operating employees to make when inevitably, they must allocate scarce time and resources.

Suppose that someone standing 3 yards away suddenly throws five golf balls at your head. You will duck! That's exactly what middle managers do when senior management attempts to throw 5-6 key improvement goals at them with each of equal priority. But what if someone tosses you one ball at a time and allows you to catch it one. All five will be caught in less than 60 seconds. Middle managers are too regularly blamed for failing to diligently translate top management initiatives into action. On the other hand, middle managers often finds itself attempting to compensate for top management's failure to sort out operational improvement priorities. THIS IS WHAT STR. PLANNING AND ALIGNMENT OF OBJECTIVES PREVENTS FROM HAPPENING.

Focus is as important in research and product development as it is in setting operational improvement goals. The goal is not just to focus on a few things at a time, but to focus on the right things. To target those activities that will make the biggest impact in terms of customer perceived value.

The capacity to learn from experience depends on many things; having employees who are well schooled in the art of problem solving, having a forum where employees can identify common problems and search together for higher-order solutions, being willing to fix things before they are broken, and continuously benchmarking against the world's best practice. Unlearning must often take place before learning can begin.

To be balanced, a company, like a stool, must have at least three good legs to stand on: Product Development A Capacity to Produce Products or Deliver Services at World Class Levels of Cost & Quality   A Sufficiently Widespread distribution, marketing and service infrastructure;   In short, a capacity to Invent, Make and Deliver. All legs must be of equal length or it will tip over.

Companies who fail to get to the future first may end up dependent upon those who do. There is an implicit assumption that it is better to be a quick follower than a dead pioneer. This assumes that the pioneering role is inherently risky. It also assumes that the pioneer will stumble and fall some time along the way, and we will be ready to jump in on a moment's notice and pick up where he left off. Being a pioneer is ONLY risky if there is financial risk at stake. But getting to the future first is not dependent upon who spends the most money to get there. You need to contain the financial risks involved. Secondly, even if the pioneer does stumble, unless you have his exact same foresight and commitment to it. You must have been preparing to jump in every step of the way with him, there is NO WAY you can be prepared to jump in. You may be a PT boat, but you certainly aren't a cheetah!

The ONLY way, other than investing too much into a bad idea for the pioneer to fail, is if he brings a product to market before it's time. Look at the litany of products that were invented one year and received by the marketplace 43 years later. Back to the 4 types of innovation and invention. You can't invent the CD without something to play it on. And you can't invent the thing to play it on without a CD.

Otherwise, if the pioneer has not overcommitted financially, and has built up a requisite of core competencies, and he continues to pursue opportunities for low cost, low risk market learning, you ain't ever gonna catch him.

To get to the future first means finding the shortest path between today and tomorrow.

The goal is to minimize both the time and investment required to turn foresight into genuine market opportunity.

Core Competencies (this should come in just before what business are we in)

Any company that wants to capture a disproportionate share of profits from tomorrow's markets must build the competencies that will make a disproportionate contribution to future customer value. You have to leverage existing core competencies beyond the boundaries of current business units to create new competitive space.

Core competencies are the gateways to future opportunities. Those that are most valuable are those that represent a gateway to a wide variety of potential product markets.

Sony's unrelenting pursuit of leadership in miniariziation has given it access to a broad array of personal audio products. 3M's core competencies in adhesives, substrates, and advanced materials have spawned tens of thousands of products. If you lose your core competence, you do stand a chance of massive failure in a broad range of markets.

A core competence is a bundle of skills and technologies that enables a company to provide a particular benefit to customers.

At Federal Express, the benefit is on time delivery and it's Macro core competency is Logistics Management. The same with Wal-Mart. Logistics allows it to provide its customers with choice, availability and value. At EDS the customer benefit is a seamless information flow and one of its core competencies is systems integration. Motorola provides customers with benefits of untethered communications, based on their master of competencies in wireless communication.

The commitment a firm makes to building a new core competency is a commitment to creating, or a further perfecting a class of customer benefits, not commitment to a specific product/market opportunity. Sony's commitment to pocketability preceded the Walkman, the portable CD player, and the pocket television. The core competency comes first. The products come as a result of it.

Competition for competence is not product versus product but corporation vs. corporation. Core competencies are not product specific. It transcends any particular product or service and may even transcend any particular business unit within the corporation. And they are longer lasting than any individual product or service. Motorola's core competency in wireless communication has outlived a number of technologies and products.

Any top team that fails to take responsibility for building and nurturing core competencies is advertently mortgaging the company's future.

Core versus NonCore

Whether it is competence or capability, the starting premise is that competition between firms is as much a race for competence mastery as it is for market position and market power. Senior Management can't pay equal attention to everything; there must be some sense of what activities really contribute to long term corporate prosperity. The goal therefore is to focus their attention on those competencies that lie at the center, rather than the periphery, of long term competitive success.

<u>To be core, it must pass three tests:</u>

1. Customer Value: must make a disproportionate contribution to customer perceived value. They are the skills that enable a firm to deliver a fundamental customer benefit. It is this distinction that leads us to describe Honda's know how in engine as

a core competence and its management of dealerships as a secondary core. The core competence does not necessarily have to be visible to or understood by the customer.

To identify a core competence, a company must continually ask itself if a particular skill makes a significant contribution to a value perceived by the customer. What are the value elements in this product or service? What is the customer actually paying for? Why is the customer willing to pay more or less for one product or service than another.

2. Competitor Differentiation: To qualify as a core competence, a capability must also be competitively unique. This does not mean that to qualify as core, a competence must be uniquely held by a single firm, but it does mean that any capability that is ubiquitous across an industry should not be identified as core, unless the company's level of competence is substantially superior to others.   After all, a company must have at least a minimum set of skills and capabilities to be in the industry in the first place. You have to ante up to be in the game. By benchmarking what you have against your competition, you quickly determine if you are superior or not.

3. Extendability: How might your competence be applied to new product arenas and markets.

Core competence is not an "asset" in the accounting sense of the word. Competencies do not wear out, but they may lose their value over time. The more a competence is used, the more refined it gets and the more valuable it becomes.

All core competencies are sources of competitive advantage, not all competitive advantages are core competencies. And, every core competence is likely to be a critical success factor, not every critical success factor will be a core competence.

Core competence is just what the name implies: an aptitude, a skill.
The core is the inner most part. The center. The most important part. The heart of something. Competence is being proficient, adept, expert, highly skilled, or well qualified to do what you do. Core Competence is the very essence of what it is that makes you proficient and adept. It is the very thing that makes the company "tick" in reference to Einstein's ticking sound.

3x5 card Question: State what you think is the company's core competence. That is, what is it that lies at the heart of the company that causes it to be proficient and excel?

In the concept of core competence there is no suggestion that a company must make everything it sells. A company should seek to control those core competencies that make the biggest contribution to customer value.

Competition for competence takes place at four levels:

4. Developing and Acquiring Constituent Skills and Technologies that make up a particular core competence.
5. Competition to Synthesize Competencies – basically this is harmonizing a wide variety of disparate skills and technologies and joining them together to create one.
6. Competition for core product share – Canon sells laser printer engines to Apple and HP because Canon is the world's most prolific producer of these engines. American Airlines came up with a great reservation system that their competition uses. More and more companies are understanding they can sell a core product to their competition and not hurt themselves.

Core Competence must be an integral part of a company's strategy. The company must know if its CC is eroding or being strengthened. It is what makes a company Tick.

Why didn't CBS, which owned a television network and a music recording business create MTV? They never looked at harmonizing or blending competencies. Why, because they never saw the whole of the company, they only saw the parts. The television network and the recording business were two completely separate businesses that never considered sharing competencies because each wanted to remain protective of what they had, individually. **Crystal Mark!**

As companies break off into different divisions, the core competency often is weakened, because it too breaks off into different pieces.

It is imperative that a company invests in new core competencies or continues to add to the ones it already has. The 75/25 rule.

For the core competence perspective to take root in an organization, the entire management team must fully understand and participate in the five key competence tasks:
1. identify existing core competencies
2. establish a core competence acquisition agenda
3. build core competencies
4. deploy core competencies
5. protect and defend core competence leadership

The first task in managing core competencies is therefore to produce an inventory of core competencies.

Questions:

Does senior management have a clear and collective point of view about how the future will be or could be different?

Do senior managers see themselves as industry revolutionaries or are they content with the status quo?

Does the company have a clear and collective agenda for building core competencies, deploying new functionalities and evolving the customer interface?

Is top management allocating as much time and intellectual energy to premarket competition as to market competition?

Is it clear to everyone in the company how their individual contribution links into the company's overall aspiration?

Do employees at all levels possess a deep sense of urgency about the challenge of sustaining success?

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