



# Book Strategy Pure & Simple II

## How Winning Companies Dominate Their Competitors

Michel Robert  
McGraw-Hill, 1998

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### Recommendation

Michael Robert presents a well-organized plan to enable you to produce a distinctive strategy. He emphasizes the need for strategic thinking, which sets out a vision of where your company is going. Use this as your basis for making the appropriate choices and plans. Clarify what your company is, and is not, to avoid becoming scattered and overextended. Robert uses the metaphor of playing a game as his framework. Every CEO must carefully choose what game to play, and how to craft a strategy to make and shape the rules. To illustrate these principles, Robert draws on actual examples from client companies, alternating a step-by-step guide to strategic planning with brief case studies that demonstrate strategic thinking. *BooksInShort* recommends this book to top executives and managers in large companies.

### Take-Aways

- The best way to compete is to develop a distinctive strategy that enables you to change the rules of the game.
- Never imitate your competitors, always change the rules.
- Use strategic thinking to create your organization's strategic profile, which defines who you are and where you are going.
- To successfully implement a strategic vision, you need the commitment of others in top management and of those who will enact that vision.
- Strategic thinking creates the framework for deciding what your company should be in the future and for attaining that objective.
- Combine strategic thinking with good operational planning.
- When you use strategic thinking to set your company's direction, consider your products, customers, market segments, and geographic markets.
- Strategic thinking lets you discover your company's strategic heartbeat.
- To identify your driving force, select the single strategic area that impels your company.
- Your strategic area is the heart of your company's identity.

# Summary

## Why You Need a Distinctive Strategy

You need a distinctive strategy because it will enable you to get into the best competitive position, which is having no competition at all. Don't play the game the way your competitors do. Instead, develop a distinctive strategy that changes the rules in your favor.

“The best competitive position to be in is to have no competition. That position can only be achieved by not playing the game the way your competitors play the game, but rather by formulating and deploying a distinctive strategy that changes the rules in your favor.”

Many companies use a strategy based on imitation, that is, using a competitor's strategy, and then trying to out-market, out-sell, out-manufacture, or out-service them. This is the worst strategy to pursue. You end up in a race in which each company alternates being the leader. The race never ends, and no one wins.

“If you are not the leader, never play the game according to the rules the leader has set. Otherwise, you are certain to lose!”

To be in the best position, don't try to gain at your competitor's expense by using imitation. Develop a distinctive strategy of your own that produces a change in the rules of the game in your favor. To change the rules, out-think your competitors instead of trying to overpower them.

Companies that use this distinctive strategy successfully are found in every industry. Turner Broadcasting turned away from a standard broadcasting approach and instead created a new strategy based on news programming, and on satellite and cable links. Southwest Airlines rejected the hub-and-spoke system that other airlines favor and opted for a point-to-point strategy in selected markets.

“Imitation may be the finest form of flattery, but it is the worst form of strategy.”

When you adopt your distinctive strategy, you will neutralize and paralyze the industry leader you are competing against. You can force it to regroup and rethink its strategy. Consider how Canon changed the rules of the copying industry game when it decided to sell small machines rather than leasing out large copiers, Xerox's standard practice. Xerox's share of the copying market went from 97% in 1980 to 13% five years later. As in a military campaign, you can do much better if you surprise the enemy by changing the rules of play. Thinking strategically can be the difference between who wins and loses in business as in war.

## Becoming a Strategic Thinker

Many people use the term strategy in different ways. They think of strategy as goals and tactics, or as operational planning, although that is a different activity. The term "strategic thinking" actually refers to the kind of thinking done by a firm's CEO and other key executives about how an organization will look in the future. When you engage in strategic thinking, you shape and clarify your organization's future strategic profile.

“A company does not gain at the expense of a competitor by imitating, or cloning, that competitor's strategy, but rather by crafting and deploying a distinctive strategy that changes the rules of the game in its favor.”

That is not the same thing as strategic or operational planning. Rather, you are creating the framework upon which you will build your strategic and operational plans. This framework will define what you want your company to be; strategic planning outlines how you are going to get it to become what you envision.

“What wins in business is not trying to outmuscle competitors with brawn, but rather to out-think those competitors with some brainpower.”

When you combine the strategy (what you want to do) and the operations (how you want to get there), you end up with a strategic

thinking matrix. For your company to prosper, you need both a sound strategic vision and skillful operational planning.

To make strategic thinking work in your organization, you need the commitment of your company's key executives, along with the commitment of everyone else responsible for implementing that vision.

## **The Major Obstacles to Thinking Strategically**

Learn to avoid the key obstacles to strategic thinking. Be aware of these traps so you can avoid them. One obstacle is fuzzy thinking, which occurs when managers see their company's future in different ways. The leadership of your company needs to have a unified vision of the future.

“By changing the rules of play, you neutralize and paralyze the leader.”

The second obstacle is created when top managers allocate their time incorrectly and spend most of it dealing with operational issues, instead of dealing with what the business should be.

Being reactive instead of proactive is a barrier to decision-making. Prosperity can discourage future thinking and planning. Short-term thinking, or getting trapped by quantitative planning, can pose other obstacles. The tendency to be overly optimistic, to see the future through rose-colored glasses, can blind your strategic thinking.

## **Creating the Future Profile of Your Company**

To use strategic thinking to set the direction of your company, start with four key elements:

1. The nature of your company's products.
2. Customers.
3. Market segments.
4. Geographic markets.

“Do not play the game according to your competitors' rules. Surprise the enemy by changing the rules of play! If the enemy is constantly surprising you, this is a clear signal of a defensive reaction. Change it. A proactive strategy constantly surprises the enemy and keeps the competitor in a defensive position.”

Next, consider your capital, people, skills, facilities and technology. They are all part of what goes into developing your products and reaching out to your customers in different areas and market segments. Your profits, earnings and dividends are your output; use them to measure your success.

“Strategic thinking is the framework for the strategic and operational plans.”

Ask yourself important questions concerning what products to offer to specific groups of customers. Determine which particular market segments you want to handle and which geographic areas you want to include.

More importantly, consider what products you do not want to offer, and which customers you don't want to reach. This way you can understand your company's strategic limits. Making the distinction between who you are and who you are not enables you to allocate resources accordingly.

## **Identifying Your Driving Force**

Analysis can show you the underlying driving force or strategic heartbeat of your business. This is the central momentum that pushes your company forward to produce certain products and to reach out to certain markets and customers. To identify this driving force, select only one particular element or strategic area that impels your company. This is the heart of what your company is about. This core will give you an edge in the marketplace. If you select more than one central driving force, you will become scattered and your efforts will be fragmented.

“Strategic thinking produces a vision, a profile, of what an organization wants to become, which then helps managers make vital choices. It enables management to put the corporation in a position of survival and prosperity within a changing environment.”

Every organization has to consider about 10 strategic areas in determining its focus. These are:

1. A product or service-oriented strategy (focusing on a specific product, such as in the automobile industry).
2. A user or customer-based strategy (focusing on a particular category of users or business customers, such as Johnson & Johnson’s strategy of making products for doctors, nurses, patients, and others).
3. A market type or categorized strategy (focusing on a market category, such as American Hospital Supply’s focus on marketing to hospitals).
4. A product capacity or capability-based strategy (focusing on a strong investment in production capacity, such as a paper mill, hotel, or airline).
5. A strategy based on technology or know-how (focusing on a distinctive hard or soft technology, such as chemistry, like 3M).
6. A strategy centered on a sales or marketing method (focusing on getting orders to customers in a particular way, such as door-to-door or direct-selling like Avon or catalog sales like the QVC Home Shopping Network).
7. A distribution-centered strategy (focusing on a unique way of distributing products to customers, such as a telephone company or food wholesaler).
8. A natural resources-oriented strategy (focusing on access to or use of natural resources, such as an oil or mining company).
9. A strategy based on size or growth (focusing on growth for its own sake or on economies of scale, such as W.R. Grace and Company).
10. A monetary strategy focused on returns or profits (focusing on profits above all, such as a conglomerate or financial company).

“For strategic thinking to be successful, it is necessary to obtain the commitment of others who will be called upon to implement that vision.”

Which one currently fits your company’s driving force? Should your strategy have the same focus in the future?

## **Maintaining Your Strategic Drive**

Once you identify your central driving force, your overall decisions must comply with that strategic drive. To ensure that the strategies of individual divisions in your company are compatible with that of the whole company, you need to communicate to prevent any overlaps between strategies. Otherwise, you are apt to pursue a schizophrenic strategy, in which you zigzag along, pursuing one approach at one time, another approach another time. Be clear what element of your business dominates your strategy.

Stick to your strategic path and avoid being seduced by opportunities. You may be attracted to some detour because the numbers look good, but losing focus will pull your whole company off course. Be aware that each driving force requires you to develop different key skills to implement your vision; management skills often are not readily transferable from one business to another.

## **Expressing Your Strategic Vision**

Once you have clarified your strategic vision or driving force, state it clearly so everyone in the company knows what it is. Often mission statements are expressed in vague generalities, such as: "The mission is to provide products and services of superior competitive quality and value and to achieve strong growth in sales and income." You must be very concrete, concise and exact when you state your strategy, mission, purpose, or mandate.

State it in a paragraph or two. Your first sentence should clearly identify the driving force that gives your company a strategic and distinctive advantage over your competitors. Then state the nature of the products, customers, marketing segments, or geographic markets that contribute to this vision.

In addition, talk about growth and success, since every business needs to grow and seek success. Finally, your vision statement should describe the present condition and the future intent driving you.

With your strategic vision clearly in mind, cultivate the skills and competencies that contribute to achieving this vision. These abilities

are your special expertise or area of excellence. Pick two or three areas of excellence to develop. These will become the distinctive capabilities that give you an edge over your competitors.

The particular areas of excellence you want to develop depend on the driving force behind your company. For example, if you are guided by a product concept, focus on product development and sales or service. If you are guided by a user or market-class strategy, become skilled in market and user research, and promote consumer loyalty. If your driving force is technology, develop an expertise in technology research and application marketing. If you are focused on a sales-and-marketing strategy, become especially good in sales recruitment and selling effectiveness.

In short, your goal is to develop those skills that fit your strategic vision. Use this focus to leverage your unique set of capabilities based on your driving force and on the areas of excellence throughout your company. This enables you to apply your distinctive advantage to the largest number of products and markets, and helps you succeed by letting you shape the game. Your strategy and your areas of excellence give you control of the sandbox in which you are playing.

## About the Author

**Michael Robert** is the founder and president of Digital Processes International, a consulting firm with 60 partners in 15 countries. He has consulted with major companies, such as Caterpillar, 3M, and GATX. He is the author of six books, including *Product Innovation and Strategy Pure & Simple: How Winning Companies Outpace Their Competitors*. His writing has appeared in many business magazines and journals.

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