

Strategic leadership – putting the pieces together

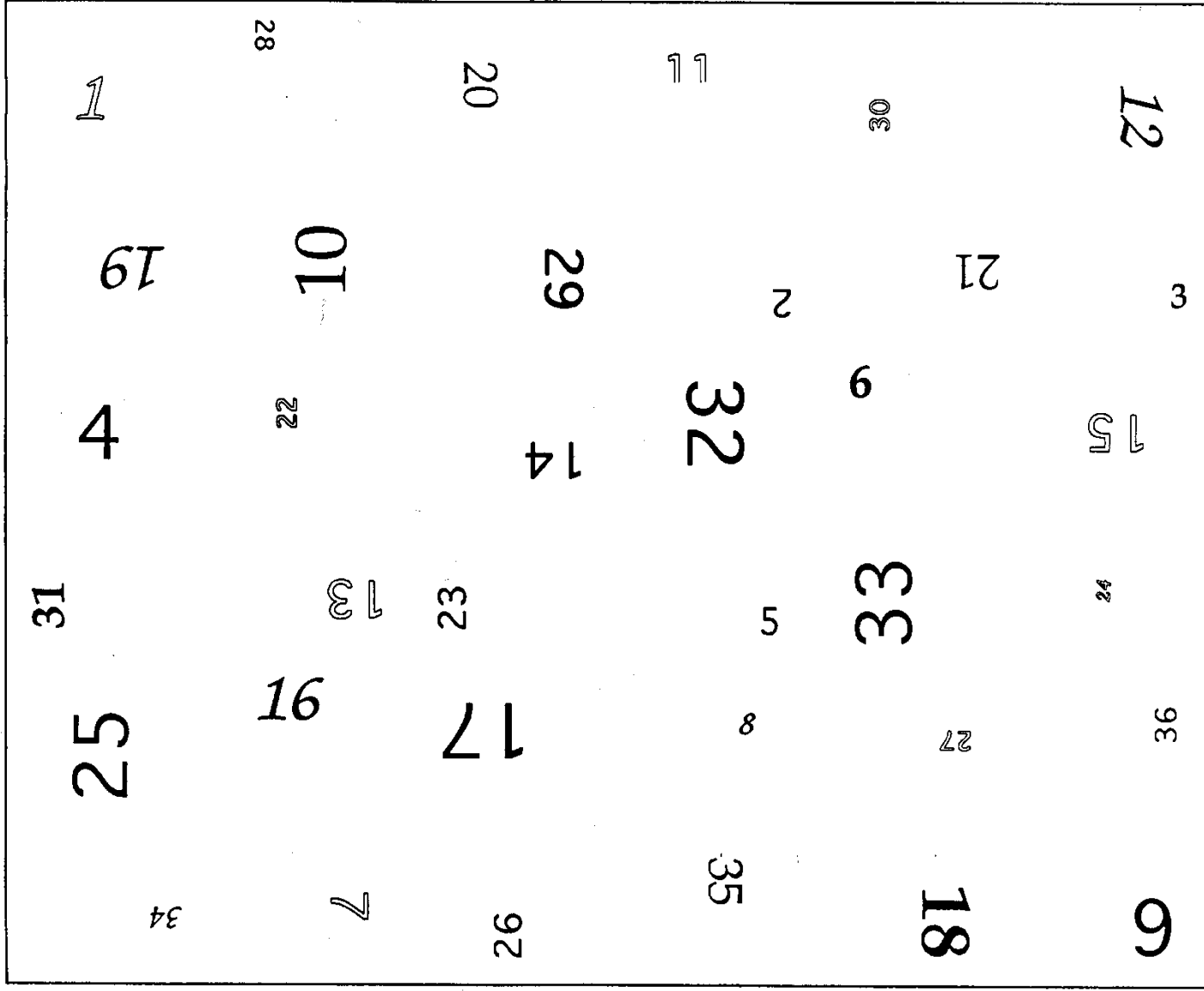
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**Now you have to take a
test!!!**

Note : 6 & 9 are printed with correct orientation



Strategy...

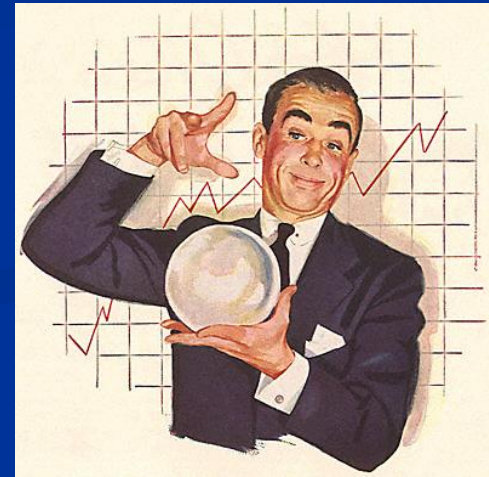
“This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.”

- Winston Churchill

November 10, 1942 speech

Strategy is not about predicting the future

- *WSJ* series in 1966-67 on the year 2000
- By the year 2000:
 - Man will land on Mars
 - Cities will thrive under huge, climate-controlled domes
 - Fly NYC to Tokyo in under two hours
 - Commuters will strap rockets on their backs and jet to work, or at least commute in small two-seater flying automobiles
 - 200,000 computers in the US

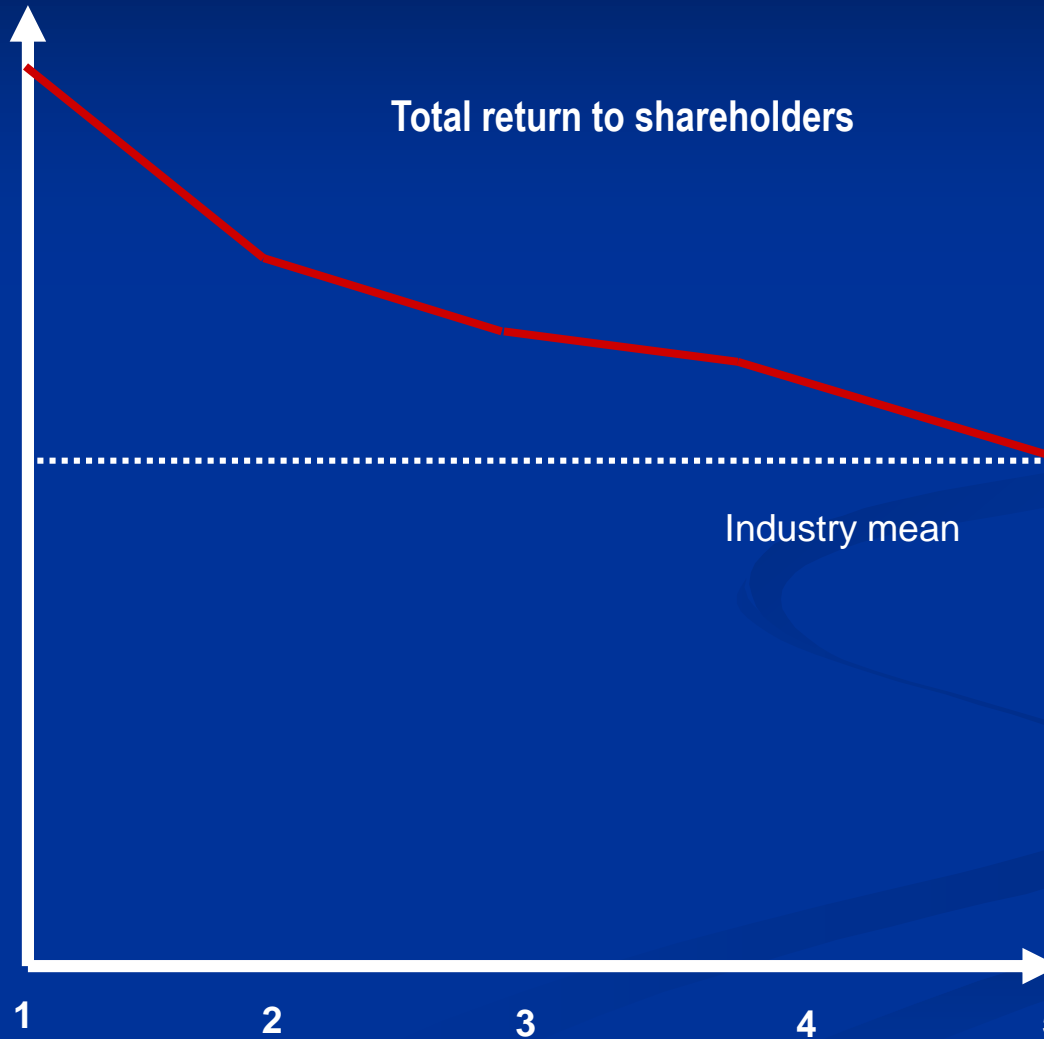


Strategy is not about predicting the future: my favorite prediction

- 1965: The Commission on the Year 2000
 - included Daniel Bell, Daniel Moynihan, Zbigniew Brzezinski, James Q. Wilson, Margaret Mead, published report in 1965
- They foresaw the Internet by the year 2000:
 - A “national information computer-utility” would take form, with “tens of thousands of terminals in homes and offices... providing library and information services, retailing, ordering, billing services and the like.”
- BUT they also predicted:
 - “Professors and intellectuals would become more powerful than corporate CEOs.”

Strategy is about beating the “Red Queen Effect”

High performers regress to the industry mean in 3-7 years



The Place to Begin the Process:

Do the Analysis...

- How attractive is my industry (by segment)?
 - How are the industry forces configured?
 - Buyers, Suppliers, Rivalry, BTE, Substitutes
 - *COMPLEMENTS*
 - What are the key drivers of change?
 - technology, globalization, competitor moves, etc.
 - Can we predict structural change?

- **REMEMBER:**
 - “Managers may believe that industry structures are ordained by the Good Lord, but they can – and often do – change overnight”
 - Peter Drucker, “The Discipline of Innovation,” HBR, May-June 1995

Uncover the Sources of Competitive Advantage...

■ Premium price/differentiation vs. Low Cost?

-WMT 1965- (successful low cost)

-Apple 2004-today (successful differentiation)

Drive a wedge between costs & WTP!

-Drivers of costs: scale, scope, ...

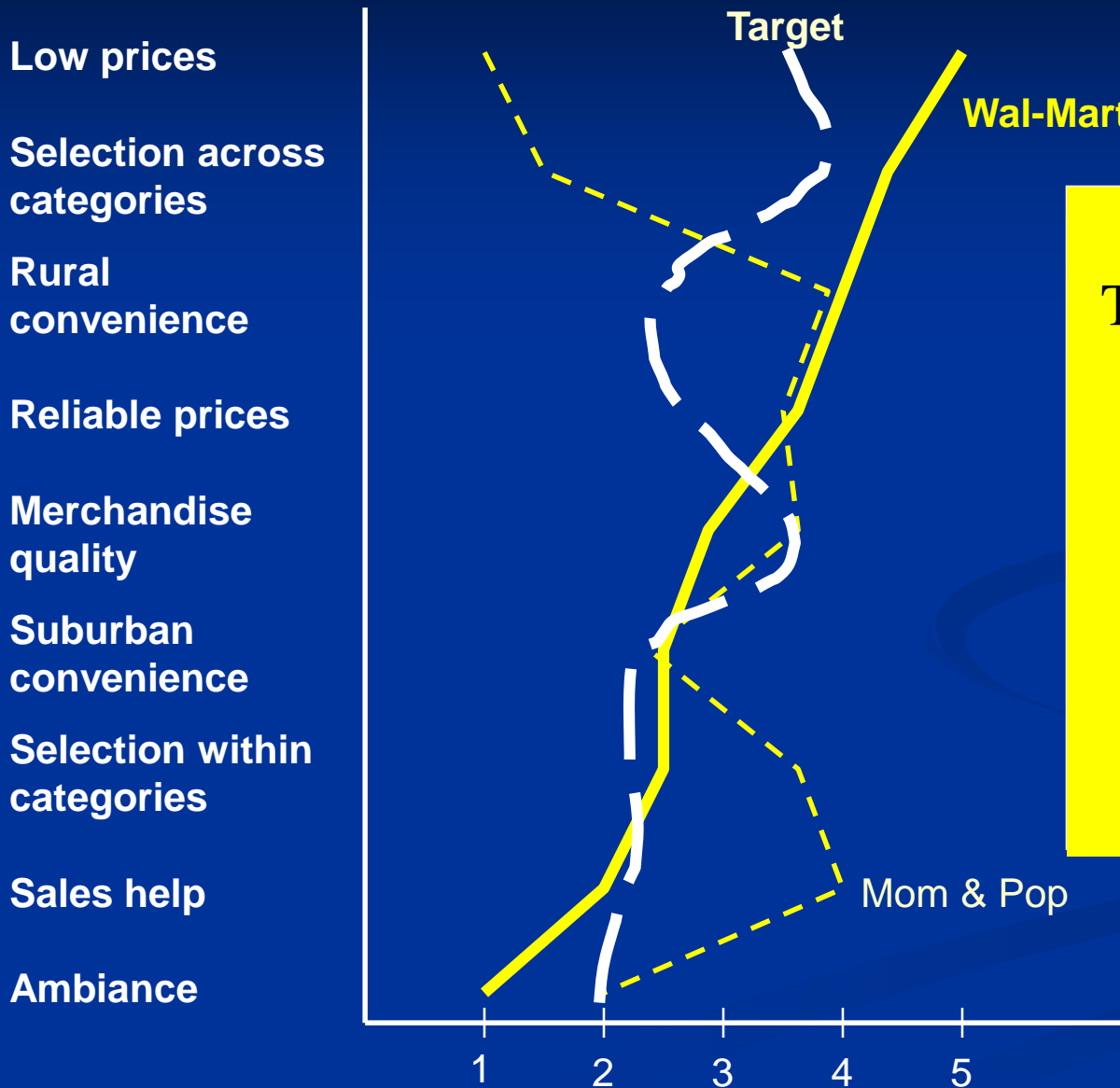
-Drivers of buyer value: brand, design...

■ How much added value am I creating?

-Gratuitous services or being paid-to-play?

(am I a bargaining chip?)

• **Map your relative position... Do you try to serve your customers in a unique way?**



Wal-Mart
 Take away ambiance
 Drive up selection,
 Drive down costs
 Drive down prices

Offset industry dynamics

Successful strategies must:

-Minimize buyer power
(e.g., build customer loyalty)

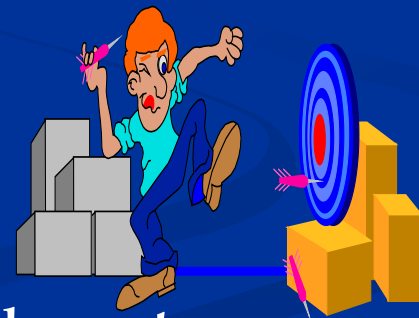
-Offset supplier power
(e.g., multiple sources)

-Reduce the intensity of rivalry
(e.g., attack emerging vs. entrenched segments)

-Raise barriers to entry
(e.g., pre-emptive investment)

-Reduce threat of substitution
(e.g., incorporate the benefits)

-Expand the availability of complements
(e.g., subsidize entry)



Analyze & Anticipate Competitors & Complementors...

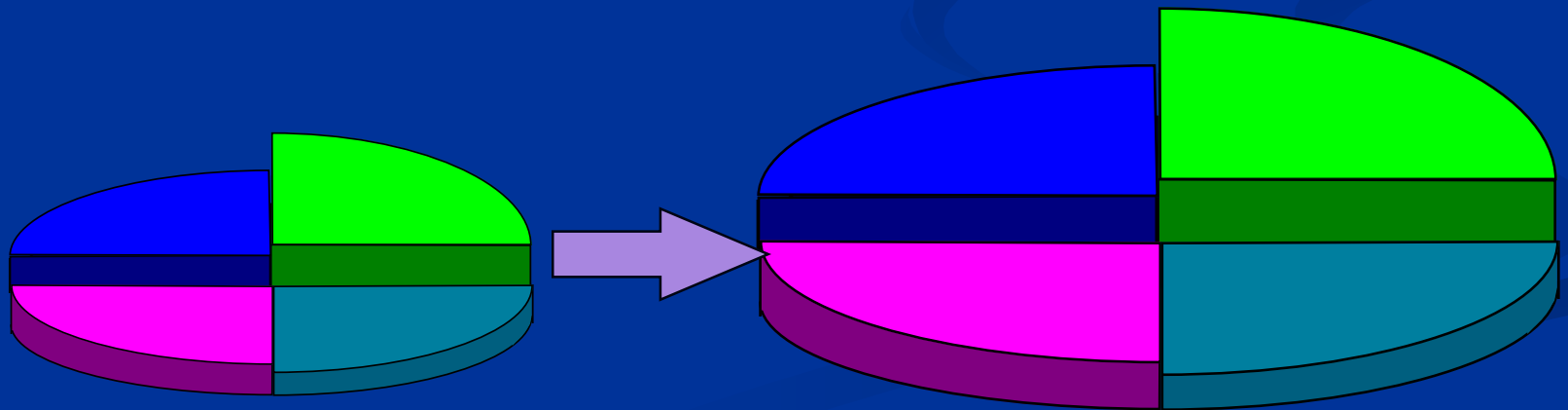
- Profile the competition & complementors
 - Who are they? What motivates them? What are their goals and assumptions? What are their strategies -- past & present? What are their resources?
- Avoid the common mistakes
 - ascribe inertia to competitors, while assuming you will act
 - assuming competitors have no options
 - Never, never, never...
- Look forward and reason back (Game Theory)
 - think several moves ahead -- not just today
 - Frederick the Great said: “it is pardonable to be defeated, but never to be surprised”

Generate Strategic Options...

- **What are my options?**
 - Consider all possible strategies
 - Present a clear vision that revolves around your competitive advantages
- **Which option will improve and sustain my company's position?**
 - Can I change the game?
 - Can I choose my competitors? complements?
 - Can I alter my relative position?

1) Expand Primary Demand: Grow the Pie

- increase the attraction vs. substitutes (Coke)
- expand the complementary assets (Apple iPhone – app store)
- expand geographic scope (Coke)

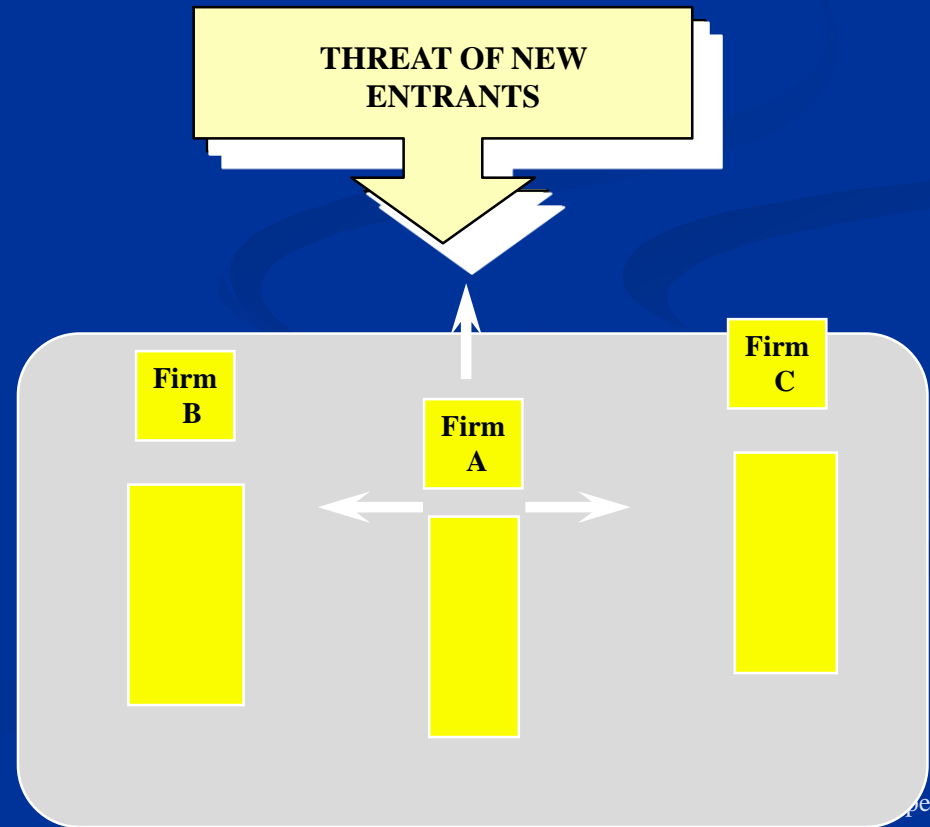


2) Gain Market Share

-change relative position
(early HTC)

-raise entry barriers
(Coke)

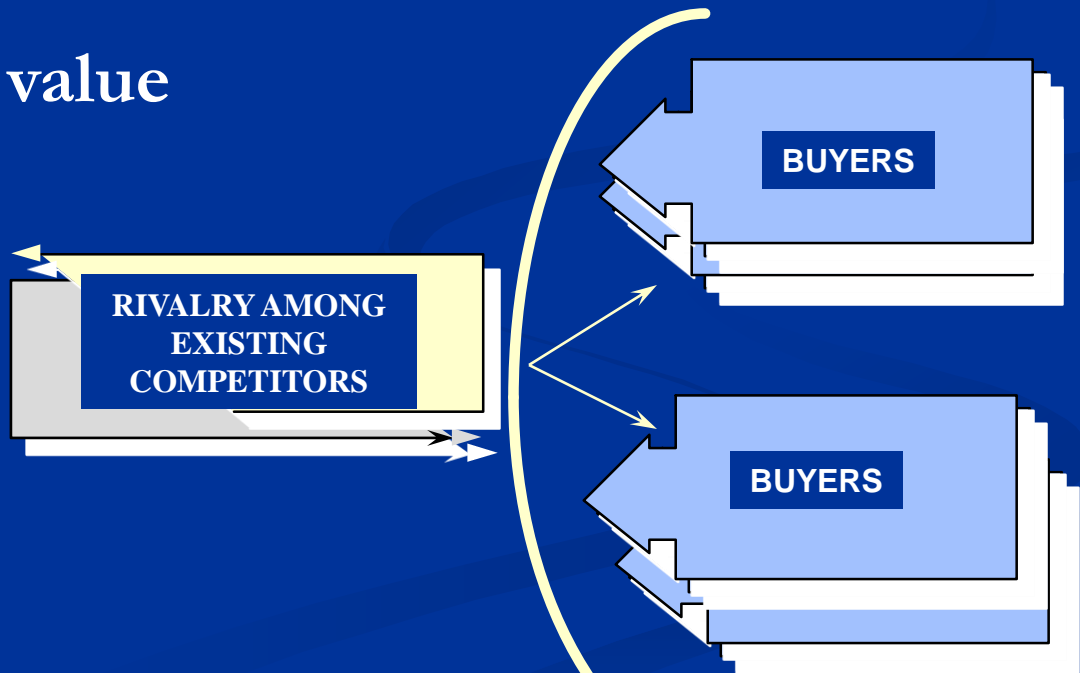
-raise barriers to imitation
(Coke)



3) Segment the Buyers

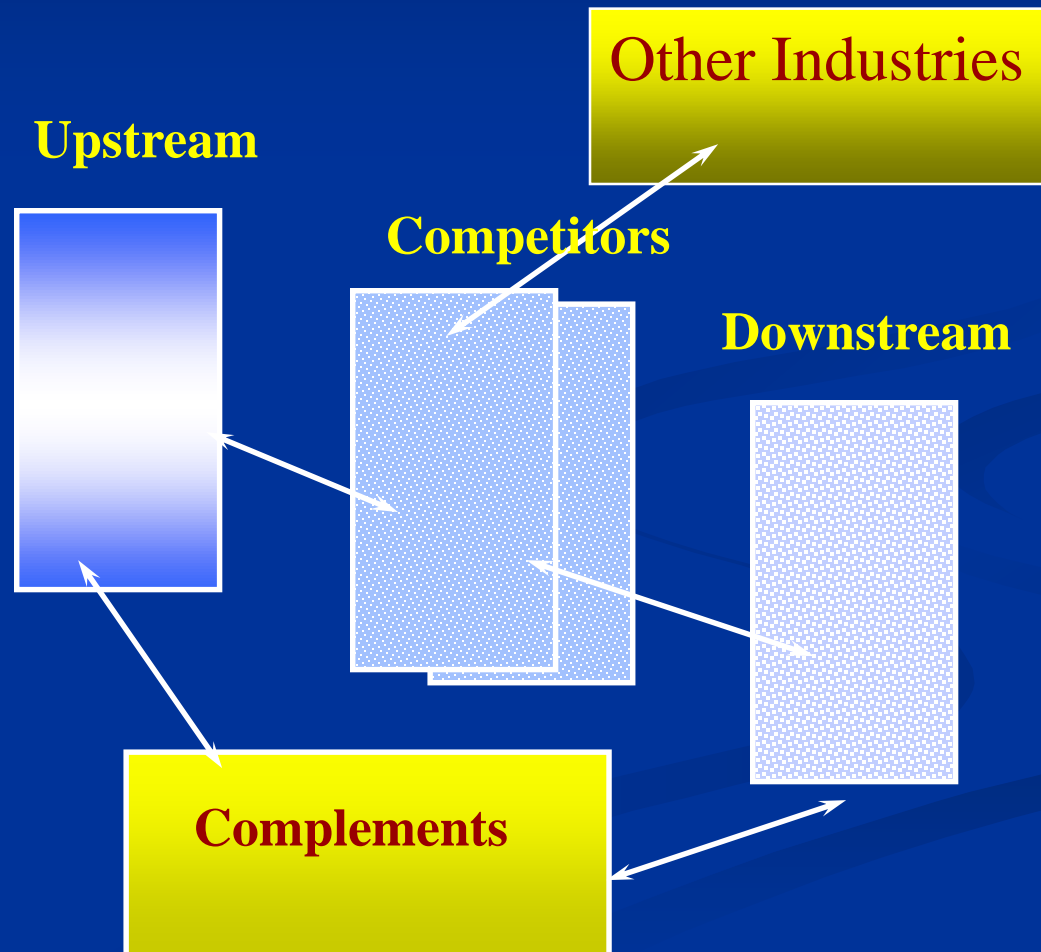
-only serve attractive customers
(Macintosh)

-capture surplus value
(HTC's goal)



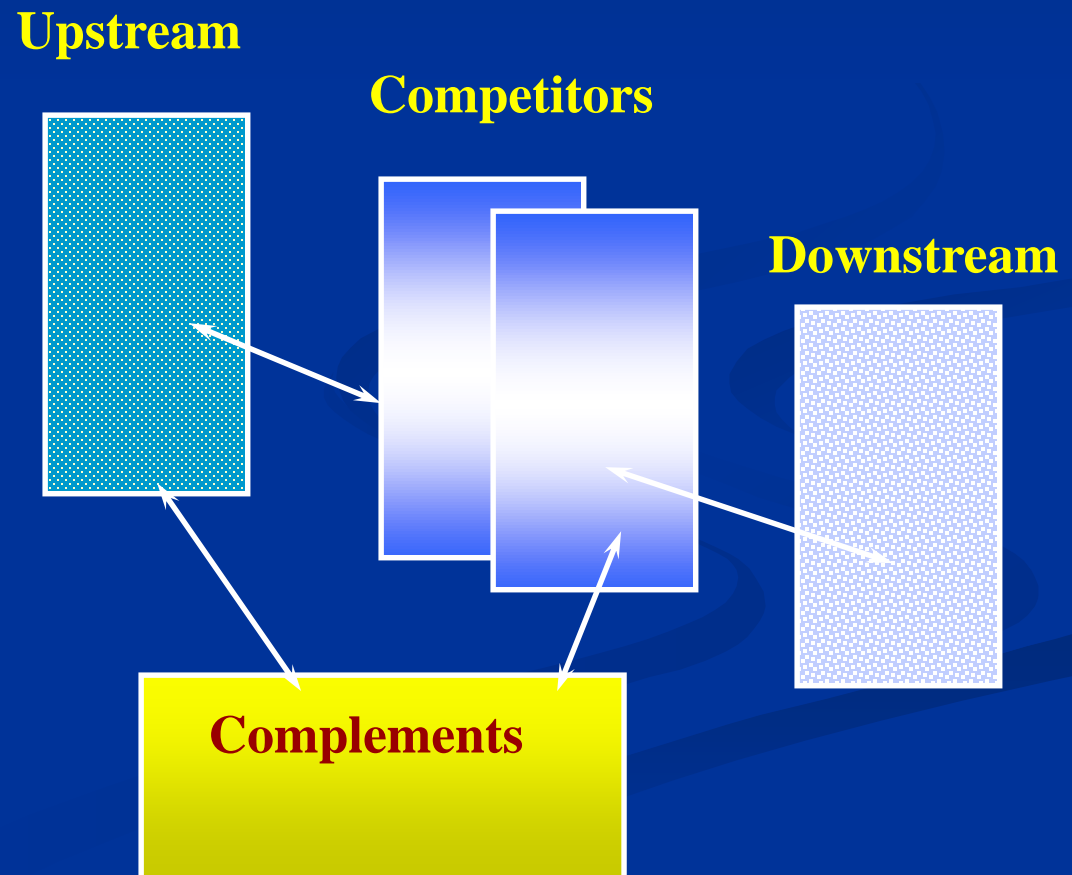
4) Expand scope

-Appropriate value from your suppliers, buyers or related industries
(Coke)



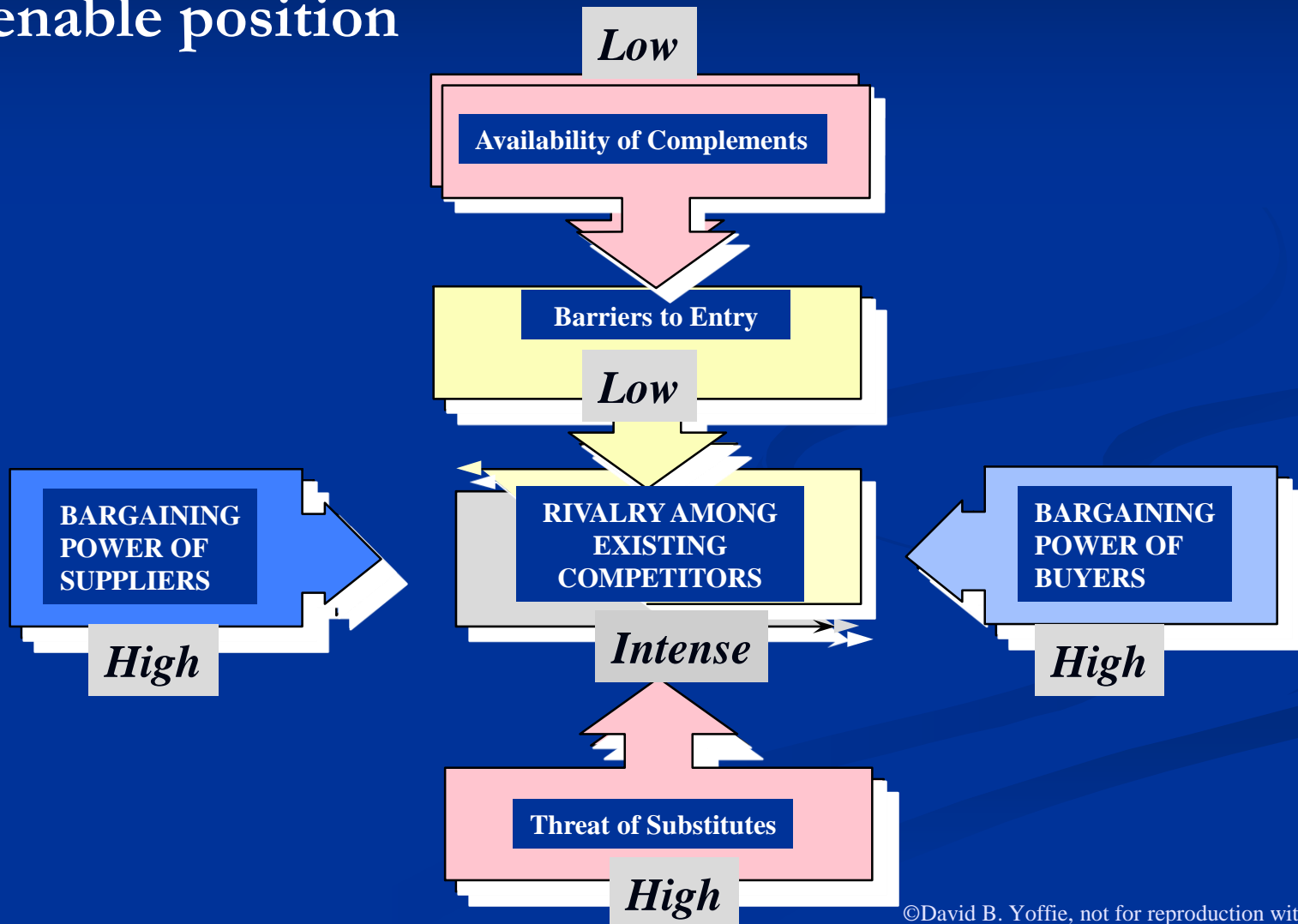
5) Share the Profits

Ally with buyers, suppliers, complements, and/or competitors to share the value (HTC-Carriers)



6) Harvest \ Exit

-6 star crappy business
-untenable position



Test the Strategic Options...

- How will competitors, customers, suppliers complementors respond?
- Can competitors be frozen or influenced?
- Are competitors threatened? Will they retreat? fight back? match?

Check for Sustainability...

- Do we really have **SCARCITY** value?
- Can we fend off threats from: ?
 - Imitation
 - Substitution
 - Hold-up
 - Saturation
 - Slack

Sun Tsu said:

“Those who win every battle are not really skillful...
Those who render others' armies helpless without fighting
are the best of all”

Decide and Implement...

- How much risk can the company & mgt accept?
- What resources are needed? Can they be found?
- What policies are necessary?
- What organization is required?
- Remember Peter Drucker, who said:
 - “ultimately, strategy devolves into work!”



Strategy is a “faddish” field



- **1960s: (heavy external focus)**
 - Learning curves, market share, product cycles
- **1970s: (strategy as 2x2)**
 - Distinctive Competencies, BCG growth/share matrix, SWOT analysis
- **1980s: (heavy Japanese mgt focus)**
 - Shareholder value, time-based competition, TQM, & core competencies
- **1990s: (heavy internal focus)**
 - Re-engineering, Learning organizations, disruptive technologies, profit zones, chaos theory, ecosystems...
- **2000s: Blue & Red Oceans, Good to Great,**
 - ????????????????

Depressing, but... you have a new set of tools & Mark Twain (Wagner)

Yoffie's Five Common Sense Rules to Successful Strategy

■ Be Unique

- *“me-too” strategies rarely work (Buffett)*

■ Create Value

- *more than physical product -- entire value chain*

■ Communicate Value

- *value not perceived is irrelevant*

■ Be Bold

- *Swim upstream. Go the other way. Ignore conventional wisdom; if everyone else is doing it one way, there's a good chance you find your niche by going in exactly the opposite direction. (Sam Walton)*

■ Become a Moving Target

- *Sitting ducks are usually picked off*

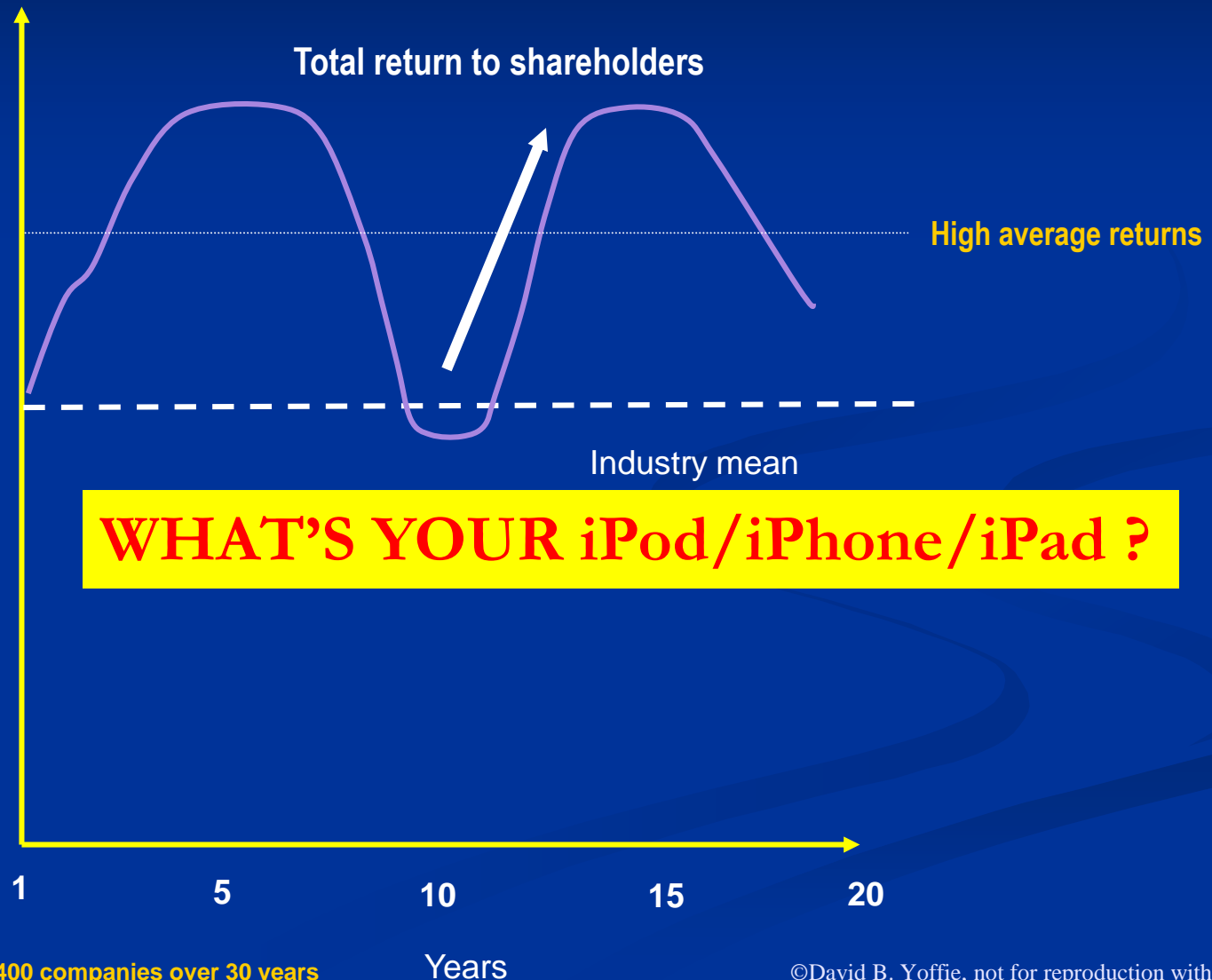
What Makes a Great Company?

1. Great Companies have Vision (e.g., Bill Gates)
2. Great Companies exploit clear Competitive Advantages (e.g., Crown, Cork— low cost)
3. Great Companies turn crises into Opportunities (e.g., Coke)
4. Great Companies create New Advantages (e.g., Apple)
5. Great Companies Influence the environment (e.g., Apple)

Great firms are distinctive organizations that succeed against the odds!

Beating The Red Queen Effect

Great companies learn to create new advantages



WHAT'S YOUR iPod/iPhone/iPad ?

Why Great Firms Fail to Sustain their Advantages

■ Failure to Innovate

- The iron rule cannibalization: if you don't do it, and it's possible, someone else will!
- Misperceiving the threat from new technologies

■ Competency Traps

- Discontinuous change obsolete your competencies
 - You must continuously invest in building new competencies

■ Slack

- Build monuments to the past rather than drive relentlessly to the future
 - Are you building your next Sears Tower?



Apple's new headquarters: Falling into the trap?



FOOD FOR THOUGHT

- **Do you really have scarcity value?**
 - Who would miss you, if you disappeared from the earth tomorrow? Is there a tear in the universe?
 - What are your differences that matter...

Food For Thought:

Machievelli advice to the Prince:

- *IT MUST BE CONSIDERED THAT THERE IS NOTHING MORE DIFFICULT TO CARRY OUT, NOR MORE DOUBTFUL OF SUCCESS, NOR MORE DANGEROUS TO HANDLE, THAN TO INITIATE A NEW ORDER OF THINGS.*

Food For Thought

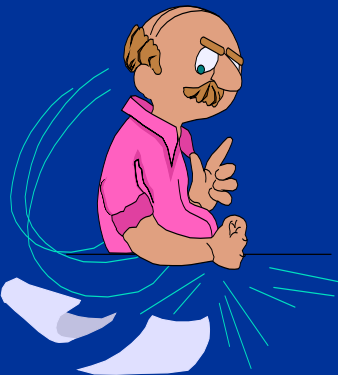
Winners are usually aggressive companies
committed to their strategies:



Wal-Mart vs. Sears



Take Risks: *We are only certain in hindsight.
Better understanding the environment
reduces risk; it never eliminates it.*



You have to take risks to win!

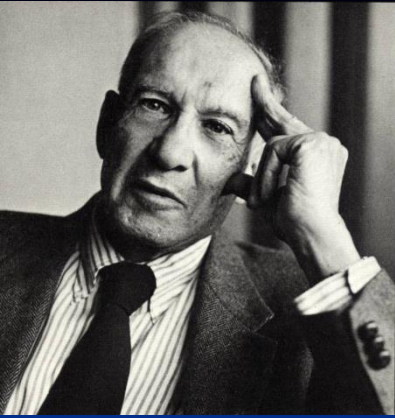
Food For Thought

Willingness to take Risks!

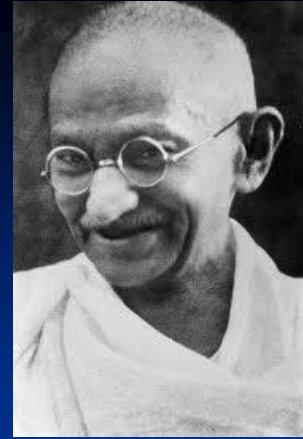
- To laugh is to risk appearing a fool.
- To weep is to risk appearing sentimental
- To reach out for another is to risk involvement.
- To expose your feelings is to risk rejection.
- To place your dreams before the crowd is to risk ridicule.
- To love is to risk not being loved in return.
- To go forward in the face of overwhelming odds is to risk failure.
- **But** risk must be taken because the greatest hazard in life is to risk *nothing*. The person who risks *nothing* does *nothing*, has *nothing*, is *nothing*.
- He may avoid suffering and sorrow, but he cannot learn, feel, change, grow, or love. Chained by his certitudes, he is a slave. He has forfeited his freedom.

Source: anonymous, WWW

■ *Only a person who takes risks is free.*



Finally, Remember:



■ Mahatma Gandhi :

- “You must be the change you wish to see in the world.”

■ Peter Drucker:

- “The best way to predict the future is to create it.”