Options as a strategic investment free pdf

If your company is struggling to outsmart formidable competitors, beware of the shortcomings of traditional strategic planning approaches. They force managers to underestimate the threat posed by more inventive and determined players and encourage them to reduce their competitive aspirations to match current resources. Managers who provide a leadership position for their company approach strategy to a very different perspective. They have ambitions from all proportions to their firm's current resources and capabilities. They fuel the obsessive desire to win at all levels of the organization and support it for decades. And they define a long-term strategic intent that captures the imagination of employees and explains the criteria for success, such as Canon, set on Beat Xerox. Win? Their companies take the lead and keep it-traps also-rans in the endless catch-up game. The idea in practice to turn strategic intention into a reality picture of strategic intent is like a marathon race in a 400-meter sprint. You may not know what the terrain looks like at mile 26, so you should focus your company's attention on the next 400 meters. As? Real corporate problems - each of which points the next hill in the race: Create a sense of urgency. Avoid future crises by exaggerating current indicators of potential threats. Heavy machinery maker Komatsu budgeted on the basis of the worst exchange rates with an inflated yen. Personalize calls. When employees see what the best-in-class competitors are doing, they personally focus on winning. Ford lit up workers with a video of Mazda's most efficient plant. Give employees the skills they need. Provide training in statistical tools, problem solving, and team building. Solve one problem at a time. You will avoid organizational overload and conflicting priorities. Stay ahead of your competition with more scarce resources than your rivals, you have to constantly outsmart your more funded competition. Competitive innovation can help. Consider these approaches: Create layers of benefits. Don't rely on just one source of benefits, such as cheap labor. Also create your brand, increase distribution channels and adapt your products to unique markets. To stake out the neo-pasted territory. Honda has identified the low end of motorcycles as an undeniable market. Selling 50cc bikes in the United States, he raced more in Europe- assembling the design skills and technology needed to dominate the entire business. Rivals have never seen Honda's strategic intention and growing competence in engines and power trains. Change the terms of participation. While Xerox has built a wide range of copiers that it has rented for corporate copy centers through huge sales forces, Canon standardized Machines and components, to reduce costs, sold their offers directly through office product dealers, and appealed to people who wanted their own machines. By developing features that contrasted with Xerox, Canon created a new recipe for success, short circuit closure ability to take revenge quickly. Compete through collaboration. Fujitsu's alliances with Siemens and British computer maker STC and Amdahl in the U.S. have increased production capacity and opened the door to Western markets. Today, managers in many industries work hard to match the competitive advantages of their new global competitors. They are moving production offshore in search of lower labor costs, streamlining product lines to capture the global economies of scale, creating quality circles and only on time production, and adopting Japanese human resource practices. When competitiveness still seems out of reach, they form strategic alliances, often with the very companies that upset the competitive balance in the first place. As important as these initiatives are, few of them go beyond mere imitation. Too many companies spend a lot of energy simply to replicate the cost and quality benefits that their global competitors already enjoy. Imitation may be a sincere form of flattery, but it will not lead to competitive activation. Simulation-based strategies are transparent to competitors who have already mastered them. Moreover, successful competitors rarely stand still. So it's no surprise that many managers feel trapped in a seemingly endless game of catch-up play - regularly surprised by the new achievements of their rivals. For these CEOs and their companies, restoring competitiveness will mean rethinking many of the core concepts of strategy.1 As the strategy flourishes, the competitiveness of Western companies has withered. It may be a coincidence, but we think not. We believe that the application of concepts such as strategic fit (between resources and opportunities), general strategies (low cost vs. differentiation versus focus) and strategic hierarchy (goals, strategies and tactics) are often inciting a competitive downturn. New global competitors approach the strategy from the point of view, which is fundamentally different from the strategy that underpins the thinking of Western management. For such competitors, the marginal adjustment of the current orthodoxy is unlikely to lead to a resurgence of competition than a slight increase in operational efficiency. (The insertion, The Reworking Strategy, describes our research and summarizes two contrasting approaches to the strategies we see in large multinational companies.) Over the past decade, our research on global competition, international alliances and multinational management has led us to close contact with top managers in America, Europe and Japan. As we tried to unravel the reasons for the success and capitulation in world markets, we increasingly suspected that the ceers of Western and Far Eastern companies often acted with different concepts of competitive strategy. Understanding these differences, we thought, could help explain the behaviour and results of competitive battles as well traditional explanations of Japan's domination and the decline of the West. We started by mapping implicit models of the strategy managers involved in our research. We then built detailed stories of selected competitive battles. We were looking for evidence of divergence in views on strategy, competitive advantage and the role of top management. Two contrasting strategy models have emerged. One of them, which most Western managers recognize, is focused on the problem of maintaining a strategic fit. Other resource management centres. These two are not mutually exclusive, but they represent a significant difference in emphasis that profoundly influences how competitive fights are played over time. Both models recognize the challenge of competition in a hostile environment with limited resources. But while the emphasis in the former is to trim ambitions for available resources, the emphasis in the second is to use resources to achieve seemingly unattainable goals. Both models recognize that relative competitive advantage determines relative profitability. The first emphasizes the search for advantages that are inherently sustainable, the second emphasizes the need to accelerate organizational learning to stay ahead of the competition in creating new advantages. Both models recognize the complexity of competition with larger competitors. But while the former leads to the search for niches (or simply discourages the company from challenging an entrenched competitor), the second searches for new rules that can devalue the benefits of the incumbent. Both models recognize that balancing the organization reduces risk. The first aims to reduce financial risks by creating a balanced portfolio of companies that generate cash and consume cash. The second is aimed at reducing competitive risks by providing a balanced and fairly wide range of advantages. Both models recognize the need to disaggregate the organization in a way that differents from the investment needs of different planning departments. In the first model, resources are distributed among units in the product market where kinship is determined by conventional products, channels, and customers. It is assumed that each business has all the necessary skills to successfully execute its strategy. Second, investments in core competencies (microprocessor control or electronic imaging, for example) as well as in product market divisions. By tracking these investments between businesses, top management is working to ensure that the plans of individual strategic divisions do not undermine future default events. Both models recognize the need for consistency at all organizational levels. First, the consistency between the corporate and business levels is to a large extent consistent with financial goals. Consistency between business level and functionality comes at the expense of tightly limiting the funds that the business uses to its strategy is to establish standard operating procedures, identify the market served, and comply with generally accepted industry practices. In the second model, the coherence between business and corporation comes from loyalty to a certain strategic intention. Business-functional consistency comes from fidelity to intermediate goals or problems with lower-level employees encouraged to invent how these goals will be achieved. Few Western companies have an enviable track record, anticipating the moves of new global competitors. Why? The explanation begins with how most companies approached the analysis of competitors. As a rule, the analysis of competitors focuses on existing resources (human, technical and financial) of current competitors. The only companies that are seen as a threat are companies with the resources to dilute margins and market share in the next planning period. Resource, the pace at which new competitive advantages are built, is rarely included. In this respect, the traditional analysis of competitors is similar to a snapshot of a moving car. The photo itself gives little information about the speed or direction of the car, whether it is the driver on a quiet Sunday drive or warming up for the Grand Prix. However, many managers have learned from painful experience that the initial resource fund business (whether plentiful or meager) is an unreliable predictor of future global success. Think back. In 1970, few Japanese companies had a resource base, production volume or technical prowess of the leaders of American and European industry. Komatsu was less than 35% larger than Caterpillar (measured sales), barely represented outside Japan, and relied on only one product line - small bulldozers - for most of its revenue. Honda was smaller than American Motors and had not yet started exporting cars to the United States. Canon's first steps to stop in the re-ographic business looked woefully small compared to the $4 billion Xerox power plant. However, by 1985, Komatsu was a $2.8 billion company with a product volume covering a wide range of earthmoving equipment, industrial robots and semiconductors. Honda produced almost as many cars worldwide in 1987 as Chrysler. Canon matched Xerox's global share of the unit market. The lesson is clear: Assessing the current tactical advantages of known competitors will not help you understand the solution, endurance and ingenuity of potential competitors. Sun Tzu, a Chinese military strategist, made a point 3,000 years ago: All people can see the tactics which I defeat, he wrote, but what can't see, this is the strategy from which a great victory has evolved. Companies that have risen to global leadership over the past 20 years have invariably started with ambitions that were out of all proportion to their resources and capabilities. But But created an obsession with winning at all levels of the organization and then sustained that obsession during the 10-20-year quest for global leadership. We will put this obsession as a strategic intention. On the one hand, strategic intent provides for the desired leadership position and sets a criterion that the organization will use to determine its progress. Komatsu went to surrounded by a caterpillar. Canon sought to Beat Xerox. Honda aspired to become the second Ford-pioneer of the automotive industry. All of them are expressions of strategic intent. At the same time, strategic intentions are more than just unlimited ambitions. (Many companies have an ambitious strategic intention, but do not reach their goals.) The concept also includes an active management process that includes: focusing the organization's focus on the essence of victory; Motivate people by reporting the value of purpose; leaving room for individual and team contributions; Maintaining enthusiasm by providing new operational definitions as circumstances change; and a consistent use of intentions to manage resource allocation. Strategic intention reflects the essence of victory. The Apollo program, by putting a man on the moon in front of the Soviet Union, was as competitive as Komatsu's quest against Caterpillar. The space program became an indicator of America's technological race with the USSR. In the turbulent information technology industry, it is difficult to target one competitor, so nec's strategic goal in the early 1970s was to acquire technologies that would enable the convergence of computing and telecommunications. Other industry observers foresaw their convergence, but only the NEC made convergence a guiding topic for subsequent strategic decisions, adopting computing and communication as its intention. For Coca-Cola, the strategic goal is to put Coca-Cola in the hand of every consumer in the world. Strategic intentions are stable over time. In the fight for global leadership, one of the most important tasks is to lengthen the organization's focus. Strategic intention provides a sequence of short-term actions, while leaving room for rethinking as new opportunities emerge. At Komatsu, Caterpillar's environment included a number of medium-term programs aimed at exploiting Caterpillar's specific weaknesses or creating special competitive advantages. When Caterpillar threatened Komatsu in Japan, for example, Komatsu responded first by improving quality, then by reducing costs, then cultivating export markets, and then underwriting the development of new products. Strategic intent sets a goal that deserves personal effort and commitment. Ask the CEOs of many American corporations, they measure your contribution to the success of their companies and you will probably get a response expressed in terms of shareholder wealth. In a company that has strategic intentions, top management is more likely to speak in terms of the global market Market share leadership usually gives shareholder wealth to be sure. But these two goals do not have the same motivational impact. It's hard to imagine middle managers, let alone blue-collar employees, waking up every day with the only idea of creating more shareholder wealth. But maybe they don't feel any different, given the Challenge of Beat Benz - a cohesive cry at one Japanese am producer? Strategic intent gives employees the only goal that is worthy of commitment: to displace the best or to remain the best, worldwide. Many companies are more familiar with strategic planning than with strategic intentions. The planning process usually acts as a feasibility study. Strategies are accepted or rejected based on whether managers can be accurate regarding both as well as what their plans are. Are the values clear? Do we have the necessary skills and resources? How will competitors react? Has the market been thoroughly researched? In one form or another, exhortation Be realistic! given to line managers at almost every turn. But can you plan for global leadership? Do Komatsu, Canon and Honda have detailed 20-year strategies to attack Western markets? Are Japanese and Korean managers better planners than their Western counterparts? No. As valuable as strategic planning is, global leadership is a goal that is out of range. We are aware of a few companies with a highly developed planning system that have been able to establish strategic intentions. As the tests of strategic fit become more stringent, goals that cannot be planned for the fall are on the sidelines. However, companies that are afraid to commit to goals that lie outside the planning range are unlikely to become world leaders. While strategic planning is billed as a way to become more forward-looking, most managers, when pressed, recognize that their strategic plans reveal more about today's challenges than about tomorrow's opportunities. With a new set of challenges facing managers at the beginning of each planning cycle, focus often shifts dramatically from year to year. And with the acceleration of the pace of change in most industries, the forecast horizon is getting shorter and shorter. Thus, the plans do little more than project the present forward gradually. The aim of the strategic intention is to put the future back into the present. The important question is not how next year will be different from this year?, but , What should we do differently next year to get closer to our strategic intentions? only, when carefully articulated and adhered to strategic intentions, the series of plans from year to year will sum up the global leadership. Just like you don't Planning a 10-20-year search for global leadership, the likelihood of getting into a leadership position is also accidentally removed. We do not believe that global leadership comes from an undirected process of in-case. It is also not a product of skunkworks or other methods for internal venturing. Behind such lies a nihilistic assumption: the organization is so lurking, so orthodox ridden, that the only way for innovation is to put a few bright people in a dark room, pour in money, and hope that something wonderful will happen. In this Silicon Valley approach to innovation, the only role for top managers is to modernize their corporate strategy for entrepreneurial success that arises from below. Here the added value of top management is really low. Unfortunately, this view of innovation may be true in many large companies.2 On the one hand, top management lacks any particular view of the desired goals that go beyond meeting shareholders and keeping raiders at bay. On the other hand, the planning format, the remuneration criteria, the definition of the market served and the belief in common industry practices all work together to severely limit the range of funds available. As a result, innovation is inevitably an isolated activity. Growth depends more on the inventive potential of individuals and small groups than on the ability of senior management to aggregate the efforts of several groups towards ambitious strategic goals. In companies that have overcome the lack of resources to create leadership positions, we see a different relationship between funds and goals. While the strategic intention is clear about the ends, it is flexible in regards to means, it leaves room for improvisation. Achieving strategic intentions requires a huge creativity in terms of means: witnessing the use of Fujitsu strategic alliances in Europe to attack ibm. But this creativity comes to the service of a clearly prescribed end. Creativity is unbridled, but not uncorralized, because top management sets the criterion by which employees can pre-set the logic of their initiatives. Mid-level managers must do more than meet the promised financial goals; they must also work in a broad direction implied in their organization's strategic intentions. Strategic intentions involve a significant stretch for the organization. Current opportunities and resources will not be sufficient. This forces the organization to be more inventive in order to make the most of the limited resources. While the traditional view of strategy focuses on the degree of alignment between existing resources and current capabilities, strategic intentions create an extreme unsuitability between resources and ambition. Top management challenges the organization to close the gap by systematically building new advantages. For Canon, this meant first understanding Xerox patents, then licensing technology to create a product that would give early market experience, then transferring internal research and development efforts, then licensing technology to other manufacturers to finance further research and development, and then access to market segments in Japan and Europe where Xerox was weak, and so on. In this regard, the strategic goal is like a marathon race in a 400-meter sprint. No one knows what the 26-mile area will look like, so the role of top management is to focus on organizing the organization. land to be covered in the next 400 meters. In several companies, management has done this by presenting the organization with a number of corporate challenges, each indicating the next hill in the race to achieve strategic goals. After a year, the problem may be quality, the next general customer care, the next entry into new markets, the next updated product line. As this example indicates, corporate issues are a way of identifying new competitive advantages, a way of defining the focal point of employee efforts in the near and medium term. As with strategic intentions, top management is subjective to targets (reduction, For example, the time of product development is 75%, but less than the means prescribes. necessary to delay or deter Xerox from joining personal copycats. Instead, Canon engineers were tasked with inventing a copier, a task they faced by replacing a disposable cartridge with a complex image transfer mechanism used in other copy-time models. Corporate challenges come from the analysis of competitors, as well as from the predictable model of the industry. Together, they reveal potential competitive discoveries and identify the new skills needed by organizations to take the initiative away from more positioned players. The exhibition Creating a Competitive Advantage in Komatsu illustrates how the challenges have helped the company achieve its intentions. Creating a competitive advantage in Komatsu In order for the task to be effective, individuals and teams across the organization need to understand this and see its implications for their own work. Companies that set corporate challenges to create new competitive advantages (as Ford and IBM have done with improved quality) are quick to discover that engaging the entire organization requires senior management to do the following: Create a sense of urgency, or quasi crisis, by amplifying weak signals in the environment that point to the need for improvement, rather than allowing inaction to accelerate a real crisis. (Komatsu, for example, a budget based on the worst exchange rates that the yen overestimated.) Develop a competitor's focus at each level through the widespread use of competitive intelligence. Each employee should be able to benchmark his or her efforts against best-in-class competitors, so that the task becomes personal. (For example, Ford showed workers on the production line videotaping operations at the most efficient Mazda.) Give employees the skills they need to work effectively - learning statistical tools, solving problems, designing values, and building a team, for example. Give the organization time time digest one problem before starting another. When competing initiatives overwhelm the organization, middle managers often try to protect their people from whiplashing priorities. But it's wait and see if they're serious this time the attitude ultimately destroys trust in corporate challenges. Create clear visions and review mechanisms to track progress and provide internal recognition and rewards to reinforce desired behavior. The goal is to make the challenge inevitable for everyone in the company. It is important to distinguish between the management process of corporate issues and the benefits that the process creates. Whatever the real problem - quality, cost, pricing or anything else - there is the same need for intellectual and emotional involvement of employees in the development of new skills. In each case, the problem will only take root if senior managers and lower-level workers feel mutually responsible for competitiveness. We believe that employees of many companies have been asked to take a disproportionate share of the blame for competitive failures. In a U.S. company, for example, management sought a 40 percent pay benefit from hourly workers to bring labor costs in line with Far Eastern competitors. The result was a long strike and, ultimately, a 10% wage concession from workers on the line. However, direct labour costs in the manufacturing industry accounted for less than 15 per cent of the total value added. Thus, the company managed to demoralize the entire blue-collar workforce in order to reduce overall costs by 1.5%. Ironically, further analysis showed that the most significant cost savings for their competitors were not due to lower hourly wages, but to more efficient working methods invented by employees. You can imagine how willing American workers were to make similar contributions after the strike and concessions. Compare this to what happened at Nissan when the yen strengthened: top management took a big pay cut and then asked mid-level managers and line employees to donate relatively less. Mutual responsibility means shared benefit and shared pain. In too many companies, the pain of revitalization falls almost exclusively on the employees least responsible for the company's decline. Too often, employees are asked to commit to corporate goals without any relevant commitment from senior management, whether it be employment sharing, or the ability to influence business direction. This one-sided approach to restoring competitiveness keeps many companies from using the intellectual horsepower of their Creating a sense of mutual responsibility is crucial because competitiveness ultimately depends on the pace at which a company introduces new benefits deep within its organization, rather than on its stock benefits at any given time. So we need to expand the concept of competitive advantage through the metrics many managers currently use: Are my expenses a cost Will my product command a price premium? Few competitive advantages are long-term. Revealing a new competitive advantage is a bit like getting a hot tip in stock: the first person to act on understanding makes more money than in the past. When the experience curve was young, a company that built capacity ahead of competitors, dropped prices to fill plants, and lowered costs as volume grew went to the bank. The first mover traded on the fact that competitors underestimated market share - they didn't appreciate to grab an extra share because they didn't understand how market leadership could be translated into lower costs and better margins. But there is no more undervalued market share when each of the 20 semiconductor companies builds enough capacity to serve 10% of the global market. Keeping an account of existing benefits is not the same as building new benefits. The essence of the strategy is to create the competitive advantages of tomorrow faster than competitors imitate those you possess today. In the 1960s, Japanese producers relied on labour and capital expenditure advantages. When Western manufacturers began to move production abroad, Japanese companies accelerated their investment in technological processes and created advantages in scale and quality. Then, when their American and European competitors rationalized production, they added another line to their onions, accelerating the pace of product development. Then they built global brands. Then they deskilled competitors through outsourcing alliances and businesses. Morality? The ability of an organization to improve existing skills and learn new ones is the most justified competitive advantage for all. To achieve strategic intent, the company will usually need to take on larger, better-funded competitors. This means careful management of competitive activities in order to conserve scarce resources. Managers can't do this by simply playing the same game better, making minor improvements in competitors' technology and business practices. Instead, they need to fundamentally change the game in such a way that the lack of staff-developing new approaches to market entry, creating advantages, and competitive warfare. For smart competitors, the goal is not competitive imitation, but competitive innovation, the art of containing competitive risks in managed proportions. Four approaches to competitive innovation are evident in the global expansion of Japanese companies. To them: creating layers of advantage, finding free bricks, changing the conditions of participation and competition through cooperation. The wider the company's portfolio of advantages, the less risks it faces in competitive battles. New global competitors have created such portfolios, constantly expanding their arsenals of competitive weapons. They inexorably moved on from justified benefits, such as low wage costs, to more justified benefits such as global brands. The Japanese color television industry illustrates this process of layering. By 1967 Japan the largest manufacturer of black and white TVs. By 1970, he was closing the gap in color televisions. Japanese manufacturers used their competitive advantage - at that time, above all, low labor costs - to build a base in private business, and then quickly moved to the creation of factories on a global scale. These investments have given them additional levels of advantage - quality and reliability, as well as further cost reductions as a result of improved processes. At the same time, they recognized that these cost-based benefits were vulnerable to changes in labour costs, processing and product technologies, exchange rates and trade policies. Thus, throughout the 1970s, they also invested heavily in building channels and brands, thus creating another layer of benefits, a global franchise. In the late 1970s, they expanded their products and businesses to cushion these large investments, and by the 1980s all the major players - Matsushita, Sharp, Toshiba, Hitachi, Sanyo - had established appropriate business groups that could support global marketing investments. Recently, they have been investing in regional production and design centres to better adapt their products to national markets. These producers considered the various sources of competitive advantage to be mutually beneficial layers rather than mutually exclusive. What some call competitive suicide, pursuing both cost and differentiation, is exactly what many competitors aspire to.3 Using flexible manufacturing technologies and better marketing intelligence, they are moving away from standardized world products to products such as the Mazda mini van, developed in California exclusively for the American market. Another approach to competitive innovation - the search for loose bricks - takes advantage of surprise, which is as useful in business battles as in war. Especially in the early stages of the war for world markets, successful new competitors are working to stay below the response threshold of their larger, more powerful competitors. One way to do this is to capture insufficient territory. To find loose bricks, managers must have a few orthodoxies on how to break into the market or challenge a competitor. For example, in a large American multinational company, we asked several management countries to describe what a Japanese competitor is doing in the local market. The first executive said: They go at us in the low part. Japanese companies always come to the bottom. A second speaker found the comment interesting but disagreed: They don't offer any inexpensive products on my market, but they do have some interesting stuff at the top end. We really have to draw an engineer to that thing. Another colleague told another story. They didn't take any business from me, he said, but they that made me a great offer to supply components. In each country, their Japanese competitor found another loose brick. The search for loose bricks begins with a thorough analysis of the analysis Wisdom: How does a company define its serviced market? What are the most profitable activities? Which geographic markets are too troublesome to enter? The goal is not to find a corner of the industry (or niche) where larger competitors rarely tread, but to build an attack base near the market territory that industry leaders currently occupy. The goal is an undeniable profit sanctuary that can be a certain segment of the product (low end in motorcycles), a piece of value chain (components in the computer industry), or a specific geographic market (Eastern Europe). When Honda took over the leaders in the motorcycle industry, for example, it started with products that were just outside the usual definition of leaders in the domain goods market. As a result, it could build an operations base in insufficient territory and then use that base to launch an extended attack. What many competitors could not see was Honda's strategic intention and its growing competence in engines and power trains. However, even when Honda was selling 50cc motorcycles in the United States, it was already racing big bikes in Europe-assembling design skills and technology, it would need systematic expansion across the entire spectrum of engine-related businesses. Honda's progress in creating core competence in engines should have alerted competitors that it could enter a number of seemingly unrelated industries - cars, lawnmowers, sea engines, generators. But with each company fixated on its own market, the threat of honda's horizontal diversification went unnoticed. Today, companies such as Matsushita and Toshiba are also ready to suddenly cross the boundaries of the industry. By protecting free bricks, companies must expand their peripheral vision by tracking and anticipating the migration of global competitors into product segments, enterprises, national markets, value-added stages and distribution channels. Changing the terms of participation, refusing to define industry and segment boundaries as a leader, represents another form of competitive innovation. Canon's entry into the copy of the business illustrates this approach. In the 1970s, Kodak and IBM tried to match Xerox's business system in terms of segmentation, products, distribution, service, and pricing. As a result, Xerox had no problem deciphering the intentions of new entrants and developing counter-movements. IBM eventually withdrew from the copying business, while Kodak remains a distant second in the market for large copiers that Xerox still dominates. Canon, on the other hand, has changed the terms of competitive participation. While Xerox has built a wide range of copyers, Canon standardized machines and components to reduce costs. Canon has decided to distribute through dealers office assets rather than Match Xerox's huge direct selling strength. It also avoided the need to establish a national service network by developing reliability and and then delegate responsibility for service to dealers. Canon copycats were sold, not leased, freeing Canon from the burden of financing the rental base. Finally, instead of selling to corporate backup managers, Canon turned to secretaries and department managers who wanted distributed copying. At each stage, Canon neatly bypassed the potential barrier to entry. Canon's experience shows that there is an important difference between barriers to entry and barriers to imitation. Competitors who tried to comply with Xerox's business system had to pay the same entry costs - the role-following barriers were high. But Canon drastically reduced barriers to entry by changing the rules of the game. The rule change is also short-circuiting Xerox's ability to respond quickly to its new rival. Faced with the need to rethink its business strategy and organization, Xerox was paralyzed for a while. Xerox managers realized that the faster they cut the product line, develop new channels and assert reliability, the faster they will undermine the company's traditional profit base. What could be seen as critical success - Xerox's national sales and service network, its large installed rental car base and its reliance on revenue from services - have instead become barriers to retribution. In this sense competitive innovations like judo: the goal is to harness the weight of a larger competitor against it. This is not by comparing the capabilities of the leader, but by developing his own contrasting capabilities. Competitive innovation is based on the premise that a successful competitor is likely to be invested in a recipe for success. That's why the most effective weapon new competitors possess is probably a blank sheet of paper. And why the greatest vulnerability of the incumbent president lies in his belief in common practice. Licensing, outsourcing agreements and joint ventures can sometimes be won without a fight. For example, Fujitsu's alliances in Europe with Siemens and STC (the largest British computer manufacturer) and in the US with Amdahl provide production volumes and access to Western markets. In the early 1980s, Matsushita formed a joint venture with Thorn (in the UK), Telefunken (in Germany) and Thomson (in France), which allowed it to rapidly multiply the forces that are anti-responsive Philips in the struggle for leadership in the European VCphone business. In the fight against larger global competitors by proxy, Japanese companies have adopted the same old as the human conflict itself: the enemy of my enemy is my friend. Another goal of competitive cooperation is to capture the efforts of potential development competitors. In the war of consumer electronics, Japanese competitors attacked traditional businesses such as TVs and hi-fis while volunteering to produce Generation products such as VCRs, video cameras, and CD players for Western competitors. They hoped their rivals would ratchet down costs, and in most cases that's exactly what happened. But companies that have abandoned their own developments rarely become serious competitors in subsequent battles for new developments. Collaboration can also be used to calibrate the strengths and weaknesses of competitors. Toyota's joint venture with GM, and Mazda with Ford, give these automakers an invaluable point of view to gauge the progress their U.S. competitors have made in reducing costs, quality and technology. They can also learn how GM and Ford compete when they will fight, and when they won't. Of course, the opposite is true: Ford and GM have equal opportunities to learn from their rival partners. The path to competitive activation, which we have outlined, suggests a new perspective on strategy. Strategic intent ensures consistency in the long-term allocation of resources. Clearly articulated corporate issues focus on the efforts of individuals in the medium term. Finally, competitive innovation helps reduce competitive risk in the short term. This long-term consistency, medium-term focus, ingenuity and short-term participation are key to using limited resources to achieve ambitious goals. But just as there is a process of victory, so is the process of surrender. Revitalization requires an understanding of this process too. Given their technological leadership and access to major regional markets, how have the US and European countries lost their apparent birthright to dominate global industries? There is no simple answer. Few companies recognize the value of non-documentation. Fewer still seek their own managerial orthodoxy for seeds for competitive capitulation. But we believe that there is a pathology of surrender (generalized in the sidebar of the surrender process) that gives some important clues. In the struggle for global leadership that has been going on over the past two decades, we have seen a model of competitive attack and reduction that has been remarkably similar to all industries. We call it the process of surrender. The process began with an invisible intent. Without long-term, competitor-oriented goals, Western companies did not attribute such intentions to their competitors. They also calculated the threat posed by potential competitors in terms of their available resources, rather than their resourcefulness. This has led to a systematic underestimation of smaller competitors who quickly acquired technology through licensing agreements, a view of the market from downstream OEM partners, and improved product quality and productivity through employee participation programs across the company. Ignoring the strategic intentions and intangible advantages of their competitors, the American and European were taken by surprise. Adding to the competitive surprise was the fact that new entrants tended to attack the periphery of the market (Honda's small motorcycles, Yamaha's grand pianos, Toshiba's in black and white TVs) before going head-to-head with the actors. Officials have often misinterpreted these attacks, seeing them as part of a niche strategy, rather than looking for free bricks. Unconventional market entry strategies (minority holdings in less developed countries, the use of non-traditional channels, extensive corporate advertising) have been ignored or dismissed as fanciful. For example, the managers we spoke to said that there is no position of Japanese companies in the European computer industry. In terms of brand share, this is almost true, but the Japanese control up to one third of the added value in the sale of European computer equipment. Similarly, German automakers have said they are not concerned about japanese manufacturers' tendency to move up the market. But with its low-end model under huge pressure from Japanese manufacturers, Porsche has now announced that it will no longer make entry-level cars. Western managers often misinterpreted the tactics of their rivals. In their view, Japanese and Korean companies compete solely on the basis of value and quality. This has generally provided a partial response to the initiatives of these competitors: moving production offshore, outsourcing or creating a quality program. Rarely was the full competitive threat appreciated - multiple levels of advantage, expansion in related product segments, the development of global brand positions. The imitation of the now visible tactics of rivals puts Western business in the eternal trap of catching up. One by one, companies were losing battles and came to see surrender as inevitable. The surrender was not inevitable, of course, but the attack was staged in a way that masked the ultimate intention and bypassed direct confrontation. It is not very comforting to think that the essence of Western strategic thought can be reduced to eight rules for perfection, seven S,s, five competitive forces, four phases of product lifecycle, three general strategies, and countless two-on-two matrix.4 However, over the past 20 years, advances in strategy have taken the form of all over typology, heuristics, and laundry lists, often with dubious empirical bases. In addition, even reasonable concepts such as product lifecycle, curve experience, product portfolios and general strategies often have toxic side effects: they reduce the number of strategic management options ready to consider. They create a preference for selling businesses rather than protecting them. They give predictable strategies that rivals are easy to decipher. The recipes strategy limits opportunities for competitive innovation. A company can have 40 businesses and only four strategies - invest, hold, harvest, or divest. Too often, a strategy is seen as a positioning exercise in which options are tested by the way they are existing industry structure. But the current structure of the industry reflects the strengths of the industry leader; and play by the leader leader's rules competitive suicide. Armed with concepts such as segmentation, value chain, competitive benchmarking, strategic groups, and barriers to mobility, many managers have become better and better at drawing industry maps. But while they were busy cartography, their competitors were moving entire continents. The goal of the strategist is not to find a niche in the existing space of the industry, but to create a new space that is uniquely suited to the company's own strengths, a space that is off the map. This is especially true at a time when the boundaries of the industry are becoming more and more unstable. In industries such as financial services and communications, rapidly changing technologies, deregulation and globalization undermine the value of traditional industry analysis. Cartography skills are not at the epicenter of the earthquake. But industry turmoil opens up opportunities for ambitious companies to redraw the map in their favor if they can think beyond traditional industry boundaries. Concepts such as mature and declining are largely the definition. What most CEOs mean when they call a business mature is that sales growth has stagnated in their current geographic markets for existing products sold through existing channels. In such cases, it is not an industry that is mature, but a concept of industry leaders. Asked if the piano business is mature, one Yamaha executive said, Only if we can't take any market share from anyone anywhere in the world and make money. And anyway, we're not in the piano business, we're in the keyboard business. Year after year, Sony revives its radio and tape business, despite the fact that other manufacturers have long abandoned these enterprises as mature. A narrow concept of maturity can exclude a company from a wide stream of future opportunities. In the 1970s, several U.S. companies believed that consumer electronics had become a mature industry. What can be replenished with color TV? they asked themselves. RCA and GE, distracted by opportunities in more attractive industries such as mainframe computers, have left Japanese manufacturers with a virtual monopoly on video recorders, video cameras and CD players. Ironically, the television business, once thought to be mature, is on the verge of a dramatic renaissance. The $20 billion-a-year business will be set up when high-definition television is launched in the United States. But television pioneers can capture only a small part of that wealth. Most strategic analysis tools are focused on the domestic market. Few compel leaders to consider global opportunities and threats. For example, portfolio planning portrays the investment opportunities of top management as a range of enterprises, not as an array of geographic markets. The result is predictable: because hit by foreign competitors, the company is trying to abandon them and enter into others in which the forces of global competition have not yet Strong. In the short term, this may be an adequate response to reduced competitiveness, but fewer and fewer businesses in which a domestic-oriented company can find refuge. We rarely hear such companies ask: can we enter emerging markets abroad, outpacing our global competitors and prolong the profitability of this business? Can we counterattack our global competitors in the home market and slow down their expansion? One of the executives of one successful global company made an eloquent comment: We are happy to find a competitor who manages the concept of the portfolio - we can almost predict how much share we will have to take to put the business in the CEO's sales list. Companies may also be overly committed to organizational prescriptions, such as strategic business units and decentralization, which implies the structure of the SBU. Decentralization is tempting because it places responsibility for success or failure directly on the shoulders of line managers. It is assumed that every business has all the resources necessary to successfully implement its strategies, and in this environment without excuses top management is difficult to fail. But desirable as a clear line of responsibility and accountability, competitive activation requires positive value added from senior management. Few companies with a strong SBU orientation have created successful positions in the field of distribution and brand. Investments in a global brand franchise tend to go beyond resources and risk-taking for one business. While some Western companies have global brand positions for 30 or 40 years or more (Heinz, Siemens, IBM, Ford and Kodak, for example), it is difficult to identify any American or European company that has created a new global brand franchise in the last 10-15 years. However, Japanese companies have created an account or more-NEC, Fujitsu, Panasonic (Matsushita), Toshiba, Sony, Seiko, Epson, Canon, Minolta, and Honda, among them. General Electric's situation is typical. In many of its companies this American giant was almost unknown in Europe and Asia. GE has not made a coordinated effort to create a global corporate franchise. Any GE business with international ambitions must bear the burden of establishing its authority and credibility only in a new market. Unsurprisingly, some of GE's once-strong companies have abandoned the daunting task of building a global brand position. In contrast, small Korean companies such as Samsung, Daewoo and Lucky Gold Star are busy creating global brand umbrellas that will facilitate entry for a range of businesses. The basic principle is simple: economies of scale can be as important as economies of scale when entering world markets. But seizing the economy requires inter-business coordination, which can provide top management. We believe that inflexible organizations such as SBU have also contributed to the work of some companies. For one SBU unable to sustain investment in the core such as semiconductors, optical media or internal combustion engines, the only way to stay competitive is to purchase key components from potential (often Japanese or Korean) competitors. For a SBU defined from the product market perspective, competitiveness means offering the final product, which is competitive in price and productivity. But this gives the SBU manager little incentive to distinguish between external sources achieving product-innate competitiveness and internal development, which gives deep-rooted organizational competences that can be used in different enterprises. Where upstream component production activities are seen as transfer pricing cost centres, additional investment in core activities may seem less profitable than downstream investments. To make matters worse, internal accounting data may not reflect the competitive value of maintaining control over core competencies. Together, the overall global corporate brand franchise and common core competency act as a solution in many Japanese companies. Without this solution, the company's businesses are really free bricks-easily knocked out by global competitors who are constantly investing in core competencies. Such competitors can inject domestic-focused companies into long-term dependence on sources and capture the global brand investment economy through cross-business coordination. The last in the list of dangers of decentralization is the standard of management activity, commonly used in SBU organizations. In many companies, business managers are rewarded solely on the basis of their efficiency in terms of returning to investment goals. Unfortunately, this often leads to the management of denominators, because managers soon discover that the reduction in investment and the number of heads - the denominator - improve the financial ratios by which they are measured more easily than the income growth of the numerator. It also promotes hair trigger sensitivity to industry downturns, which can be very costly. Managers who quickly cut investment and lay off workers find it takes much longer to recover lost skills and catch up on investments when the industry turns up again. As a result, they lose market share in each business cycle. Especially in industries where there is fierce competition for the best people and where competitors invest relentlessly, the management of denominators creates rattles. The concept of a general manager as a mobile binding reinforces the problem of the manager's management. Business schools are guilty here because they the idea that a manager with a net current value of settlements in one hand and portfolio planning in the other can manage any business anywhere. In many diversified companies, top management evaluates line managers only by numbers, because there is no other basis for dialogue. Managers move so many times as part of their career development that they often do not understand the nuances of nuances they control. At GE, for example, one fast-track manager, heading a new high-level business, moved to five businesses in five years. His series of rapid successes finally came to an end when he faced a Japanese competitor whose managers have been plodding together in the same business for more than a decade. Regardless of ability and effort, accelerated development managers are unlikely to develop the deep business knowledge they need to discuss technology options, competitor strategies, and global opportunities on the merits. Discussions therefore invariably gravitate towards numbers, while value-added managers are limited to the financial and planning power they transport from work to work. Knowledge of the company's internal planning and accounting systems replaces substantial knowledge of the business, making competitive innovation unlikely. When managers know that their appointments have two to three years, they feel a lot of pressure to build a good track record quickly. This pressure often takes one of two forms. Either the manager undertakes no commitment to a purpose whose timing goes beyond his or her expected tenure. Or ambitious goals are adopted and compressed in an unrealistically short time. The desire to be number one in business is the essence of strategic intent; but imposing a three- or four-year horizon on effort simply offers disaster. Acquisitions take place without much attention to integration issues. The organization is overwhelmed by initiatives. Joint ventures are formed without due attention to competitive consequences. Almost every strategic management theory and almost every corporate planning system is based on a strategic hierarchy in which corporate goals guide business and business unit strategies, directing functional tactics.5 In this hierarchy, senior management makes a strategy and the lower levels execute it. The dichotomy between wording and implementation is familiar and widely recognized. However, the hierarchy of the strategy undermines competitiveness by expressing an elitist view of governance that tends to disenfranchise most of the organization. Employees cannot identify with corporate

goals or become deeply involved in becoming more competitive. The strategy of the hierarchy is not the only explanation for the elitism of the view of management, of course. Myths that grow around successful top managers-Lee Iacocca rescued By Chrysler, De Benedetti saved Olivetti, John Sculley turned Apple around - immortalize it. So is the turbulent business environment. Mid-level managers, overwhelmed by circumstances that seem to be beyond their control, are desperate to believe that senior management has all the answers. And top management, in turn, is hesitant to admit that it is not for fear of demoralizing lower-level employees. The result of all this is often the code where the full problem of a company's competitiveness is not widespread. We Are We managers of business units in one company, for example, who were extremely concerned because the top management did not speak openly about the competitive problems faced by the company. They assumed that the lack of communication was indicative of a lack of awareness on the part of senior managers. But when asked if they were open with their employees, the same managers said that while they might face problems, people below them could not. Indeed, the only time the workforce heard about the company's competitiveness was during wage negotiations, when problems were used to obtain concessions. Unfortunately, the threat that everyone perceives, but no one talks about creates more anxiety than the threat, which has been clearly defined and made a focal point for solving the problems of the efforts of the whole company. This is one of the reasons for honesty and humility on the part of senior management may be the first condition of activation. Another reason is the need to make participation more than a buzzword. Programs such as quality circles and general customer service often fell short of expectations, as management does not recognize that successful implementation requires more than administrative structures. Difficulties in implementing new opportunities tend to be descending on communication issues, with the assumption that if only downward communication were more efficient, if only the average management had received the message directly, the new program would have taken root quickly. The need for upward communication is often ignored or is supposed to mean nothing more than feedback. In contrast, Japanese companies benefit not because they have smarter managers, but because they have developed ways to use the wisdom of an anthill. They understand that top managers are a bit like the astronauts who surround the Earth in the space shuttle. It may be the astronauts who get all the glory, but everyone knows that the real intelligence behind the mission is firmly on the ground. Where strategy is elitist, it is also difficult to develop truly creative strategies. First, division or corporate planning departments lack executives and points of view to challenge conventional wisdom. On the other hand, creative strategies rarely stem from the annual planning ritual. The starting point for next year's strategy is almost always this year's strategy. Improvements are gradual. The company adheres to the segments and territories that it knows, although the real possibilities may be elsewhere. The incentive for Canon's innovative entry into the personal copyright business came from overseas sales of a subsidiary, not from planners in Japan. The purpose of the strategy hierarchy remains in place to ensure consistency up and down But this sequence derives better from well-defined strategic intentions than from inflexible top-down plans. In the 1990s, the challenge would be to provide to invent the means to achieve ambitious goals. We have rarely found cautious administrators among top management companies who have come from behind to challenge actors for global leadership. But as we studied the surrender, we have consistently found senior managers who, for some reason, lacked the courage to entrust their companies with heroic goals - goals that are not suitable for planning and available resources. The Conservative goals they set failed to generate pressure and enthusiasm for competitive innovation or give the organization a lot of useful leadership. Financial objectives and vague declarations of missions simply cannot provide the consistent direction that is essential to winning a global competitive war. This kind of conservatism is usually blamed on financial markets. But we believe that in most cases the so-called short-term orientation of investors simply reflects their lack of confidence in the ability of senior managers to conceive and deliver stretch goals. The chairman of one company complained bitterly that even after raising capital gains of more than 40% (by ruthlessly depriving the lackluster business and reducing others), the stock market held the company in a price/profit ratio of 8:1. Of course, the market message was clear: We don't trust you. You have not shown the ability to achieve profitable growth. Just cut the slack, manage the denominators, and maybe you'll be taken over by a company that can use your resources more creatively. Very little in the track record of most large Western companies guarantees the confidence of the stock market. Investors are not hopelessly short-term, they are justifiably skeptical. We believe that the caution of senior management reflects a lack of confidence in its own ability to engage the entire organization in revitalization, rather than simply raising financial goals. Developing faith in the organization's ability to perform complex tasks, motivation to do so, focusing long enough to internalize new opportunities is a real challenge for senior management. Only by rising to this challenge will senior managers gain the courage they need to devote themselves and their companies to global leadership. 1. Among the first to apply the concept of strategy to management were H. Igor Asoff in Corporate Strategy: An Analytical Approach to Business Policy for Growth and Expansion (New York: McGraw-Hill, 1965) and Kenneth R. Andrews in the Corporate Strategy Concept (Homewood, Ill.: Dow Jones-Irwin, 1971). 2. Robert A. Burgelman, Internal Corporate Development Model at a diversified large firm, Administrative Research District, June 1983. 3. For example, see Michael E. Porter, Competitive Strategy (New York: Free Press, 1980). 4. The strategic framework for resource allocation in diversified companies is summarized in Charles W. Hofer Dane E. Schendele, Strategy Formula: Analytical Concepts (St. Paul, Minnesota: West Publishing, 1978). 1978). For example, see Peter Laurent and Richard F. Wansil, Strategic Planning Systems (Englewood Cliffs, New Jersey: Prentice Hall, 1977). A version of this article appeared in the May-June 1989 issue of Harvard Business Review. Reviews. options as a strategic investment 5th edition pdf free download. options as a strategic investment by lawrence mcmillan pdf free download