



Viewpoints

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Purpose

To provide unique views, concepts and ideas that challenge you to think differently about business and life.

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Do You Really Have a Competitive Advantage?

Successful companies usually start off with a clear idea of what they bring to the marketplace and how it is “different” and “unique” from their competitors. However, over time, many of them lose sight of those initial differentiators as they grow and as they add new people who are not tied in to the original plan.

The result can be an unfocused organization that loses its identity as well as its competitive advantage. If this sounds familiar, it may be a good time to read or re-read one of my favorite business books, “Discipline of Market Leaders,” by Michael Treacy and Fred Wiersma.

In this classic, the authors first discuss why companies fail to be market leaders. Two of their themes that we frequently see in the marketplace are:

1. **Trying to be All Things to All People** – organizations that don’t have their competitive differentiators engrained in the fabric of their culture tend to think every opportunity is a good opportunity and every prospect would be a great customer.

Over time, this spreads the organization too thin across many different initiatives resulting in not being “excellent” in any particular area.

Market leaders stay true to their market differentiators and don’t pursue opportunities that don’t “fit” their value principles. This may mean missing short term opportunities for the sake of long term sustainability. This takes discipline and constant reinforcement of the key organization principles.

2. **Growth for the Sake of Growth** – along the same lines as #1, companies that get bit by the growth “bug” can lose sight of the things that made them successful in the first place.

A great recent example of this is Toyota. In their pursuit of being the largest car company in the world, they took some of their focus off of quality (which has been their competitive advantage for decades) and now they will be paying for their mistakes for many years to come. Who knows if or when they will be able to recapture that brand dominance.

So what are some examples of competitive advantages? Treacy and Wiersma describe three main categories for market dominance.

1. **Operational Excellence** – low or lowest prices on goods or services and hassle free service. These companies have a relentless focus on keeping costs low so they can pass on those savings to customers. Examples include Wal-Mart and Southwest Airlines.
2. **Product Leadership** – offers innovative products or services that push performance boundaries. Examples in this category include: Apple, Intel, Nike and 3M.
3. **Customer Intimacy** – deliver what specific customers want. This involves a level of service that provides “customer delight” and results in high customer loyalty. Examples here include Nordstrom and Zappos.

Based on my client experiences, I would like to add a fourth category to consider:

4. **Internal Culture** – these companies spend an unbelievable amount of time and resources in defining, establishing and preserving a unique internal culture that allows them to serve the marketplace in a unique way. Examples include Rosenbluth International (The Customer Comes Second) and Nick’s Pizza (the subject of last month’s newsletter).

I also want to point out that just because market leaders focus and excel in one particular category, **does not** mean they don't spend time in the other disciplines. They all do an adequate job in the other areas, it's just not their main focus (i.e. Nick's Pizza could have a great culture but if they made bad pizza, they wouldn't be very successful).

As your review these categories, ask yourself these questions:

1. Do we excel at any of them?
2. Do we spread our focus thinly across all of them?
3. Do we try to be "all things to all people?"
4. Do we view all growth as good growth?
5. Have we lost our focus over time and do we need to get back to the core of what made us successful to begin with?

If you would like more information on doing a workshop or training session to pursue these ideas and concepts further, please contact us at:

804-814-9921 or dstrand@derrickstrand.com

Let us know if you enjoyed this newsletter or what we can do better. Also, if you have ideas or topics you'd like to see in future editions, send those thoughts to:

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