STRATEGY AND PERFORMANCE

Competing through competences
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Preface

This book is designed to help company managers and directors make their business more profitable and longer lived. Why longer lived? Customers are fickle and markets can change very quickly. So for a company to have long life it must be able to survive unexpected and severe knocks from markets. From our experience in helping many firms to develop their strategy those that concentrate solely on market/customer perspectives tend to produce business objectives of no more than one to two years duration. Firms that use a resource-based and a market/customer perspective produce similar plans but they also produce longer-lived objectives for building resources and strengths often applicable to a wider range of markets than those currently being exploited. They seem more aware of the fundamental drivers of business performance in any market and so are better prepared to face crises in their current markets.

Practically all firms base their business objectives on satisfying their customer needs. This is a valuable initial approach for aligning products, services and objectives with existing markets. It is based on the opportunities and threats half of a SWOT\(^1\) analysis. However, most firms neglect the other half of the analysis. They do not identify the sources of their strengths and weaknesses. You know the achievement of any of your business objectives is dependent on your strengths and weaknesses. For example, all firms in a market may wish to reduce their new product leadtimes but one will do so more quickly and reliably than others. Why is that? Is it because of the market? No – it is to do with the resources each company can access (cash, knowledge, equipment, values, reward systems, etc.) and the effectiveness of the management of those resources towards reducing leadtime. Why do firms neglect to analyse their strengths and weaknesses? Partly because it is much easier to analyse markets that are, so to speak, ‘out there’ than to speak about strengths and weaknesses which are ‘in here, in you, round this table and just outside that door’. It is also because there are few pragmatic methods to help managers and because those that do exist do little to reduce the inherent subjectivity in managers looking at themselves.

\(^1\) SWOT – strengths, weaknesses, opportunities and threats.
The two processes we describe aim to redress this imbalance by concentrating on the analysis of your firm's strengths and weaknesses. The issues here are less to do with the markets your firm is in and more to do with the company itself. What are you good at and not so good at? What are the important differences between you and your competitors? We believe that every firm, including yours, is unique. And it is on the peculiarities that make your firm unique that sustainable competitive advantages can be based. The processes help you to understand your potential and actual strengths and weaknesses. They show how you can build a more sustainable competitive advantage by revealing the unique resources that underlie your firm's strengths and weaknesses. Improving these resources and managing them more effectively will reinforce your strengths and ameliorate your weaknesses and thereby improve your competitive position.
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