

Thought Leader: Competitive Strategy

Published in Managing Partner magazine

December 2008 / January 2009

“If you are ignorant of both your enemy and yourself, then you are a fool and certain to be defeated in every battle. If you know yourself, but not your enemy, for every battle won, you will suffer a loss. If you know your enemy and yourself, you will win every battle.”

When SunTzu penned The Art of War in the sixth century BC, the issues at stake were those of life and death, not business gain or loss. However, the principles of his advice are also applicable to those concerned with charting a course through the increasingly choppy waters of commerce in the 21st century.

Preconceived notions are the enemy of the strategist. It is only by questioning and challenging that robust paths can be created. It is only by imagining a world in which the current rules of competition are turned on their heads that agility, flexibility and responsiveness of current approaches can be stress-tested. This creative thinking can often be neglected, especially in those professions whose strategy meetings descend all too quickly into areas of detail rather than remaining fixed on bigger-picture drivers of long-term business success or emergent threats.

However, this is not to say that competitive strategy can be left entirely to those whose creative and lateral brains are wired differently to the majority. Indeed, while right-brain thinking is vital in the generation of ideas, process is crucial to their testing, development, selection and successful implementation in any sizable professional-service organisation.

Any process should follow the maxim, as complex as necessary but as simple as possible.

What this means in practice is a good understanding of:

- The environment faced by the business, including clients, sectors and competitors on a timescale that is relevant to the strategy horizon. Where will future competitive advantage come from, and where are the threats emerging?
- Resources, such as core competencies, skills, strength in depth, talent management and geographic reach.
- Expectations, objectives and the power of partners, including aspirations, ambition, culture, governance and decision making. This final aspect is the stumbling block for many – and yet, without a clear consensus, further progress is well-nigh impossible.

A challenge for many firms is the ability to filter and refine the multitude of information sources (both internal and external) available. Vital if coherent thinking is to prevail, this means marshalling intelligence in order to create meaningful analysis, providing robust forecasts and the development of a range of scenarios.

It should be clear that scenario-planning and sensitivity-analysis techniques should accompany any well-informed strategy process – but these are anathema to many firms. Why is this?

Perhaps because such an exercise might illustrate unacceptable risks or extreme exposure to economic sensitivities on which the proposed strategy could founder. This is foolhardy at best and plain reckless at worst. Burying one's head in the sand is not a proven method for the avoidance of disaster.

