

Can you see the
mailstream?

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Strategy



The fundamental core principles for long term success of an organization and how we can understand them. Sweep aside misconceptions and confusion and address these basic economic principles.

Clear Thinking: How managers think about competition. Think about competition differently – how to be unique, deliver some unique benefit to some set of customers in a way you can do better than anyone else. Worst error in strategy is to get into a competition with your competitors on the same dimensions.

3 Flawed Concepts of Strategy: Strategy as Action, Aspiration, and Vision. A strategy is concrete and specifies what unique position you will occupy in your business that gives you advantage that you can sustain.

Strategy starts with setting the right goals. Only one goal makes economic sense, to return a superior return on capital over the long term. If you earning profit you are creating economic value, selling product for more than full cost of production including cost of capital. Goodwill is part of investment, if you can't earn a good return on that, you are fooling yourself about performance.

Shareholder Value is the result of creating real economic value, pleasing today's shareholders is not the goal.

Economic Foundations of Competition: Industry Structure & Relative position within the industry, strategic thinking must encompass both. Two big challenges: Your industry has to be successful for a company to truly be successful. Find a way to become advantaged within the industry.

Determinants of Industry Profitability: Industry attractiveness is based on structural conditions.

Foundations of Economic Performance – Unless you have higher price or lower cost can't have higher ROIC. Part of lower cost is better utilization of capital. The Value Chain. Competing in a business involves performing a set of discrete activities, in which competitive advantage resides. Think how you configure the value chain compared to competitors.

Operational effectiveness has to do with assimilating, attaining and extending best practices → do the same thing better. Strategic Positioning is creating a unique and sustainable competitive position → do things differently to achieve a different purpose.

5 Tests of a Good Strategy. (1) A unique value proposition compared to other organizations; (2) a different tailored value chain; (3) clear tradeoffs, and choosing what not to do; (4) activities that fit together and reinforce each other; (5) strategic continuity with continual improvement in realization.

Fit: successful companies have many Key Success Factors, all are connected..

Continuity: Continuity of strategy allows learning and change to be faster and more effective.

Strategy in Periods of Economic Downturn: (1) Refocus on economic fundamentals. (2) Stay focused on the strategy rather than attempting to deal with every issue, have zen-like ability to concentrate on your strategy. (3) Don't over react to distressed conditions. (4) Make sure you are cutting costs and restructuring towards a strategy, rather than cutting across the board. (5) Take advantage of window of opportunity when the market is down to get into a fundamentally good position. (6) Seize opportunities for restructuring, and make discontinuous moves if they become available.