THE STRATEGIC TRIANGLE

Only by integrating the three C's (Customer, Corporate, and Competitor) in a strategic triangle, a sustained competitive advantage can exist.

1: CORPORATE-BASED STRATEGIES

These strategies aim to maximize the corporation's strengths relative to the competition in the functional areas that are critical to achieve success in the industry:

Selectivity and sequencing The Corporation does not have to lead in every function to win. If it can gain a decisive edge in one key function, it will eventually be able to improve its other functions which are now mediocre.

A case of make or buy In case of rapidly rising wage costs, it becomes a critical decision for a company to subcontract a major share of its assembly operations. If its competitors are unable to shift production so rapidly to subcontractors and vendors, the resulting difference in cost structure and/or in the company's ability to cope with demand fluctuations may have significant strategic implications.

Improving cost-effectiveness This can be done in three basic ways:

Reducing basic costs much more effectively than the competition.

Simply to exercise greater selectivity in terms of:

- The orders that are accepted.
- The products that are offered.
- The functions that are performed.

This means cherry-picking operations with a high impact, so that when other operations are eliminated, functional costs will drop faster than sales revenues.

To share a certain key function with the corporation's other businesses or even with other companies. Experience indicates that there are many situations in which sharing resources in one or more basic sub-functions of marketing can be advantageous.

2: CUSTOMER-BASED STRATEGIES

Clients are the basis of any strategy according to Ohmae. There is no doubt that a corporation's foremost concern ought to be the interests of its customers rather than that of its stockholders and other parties. In the long run, the corporation that is genuinely interested in
its customers will be interesting for its investors.

Segmentation is advisable:

Segmenting by objectives Here, the differentiation is done in terms of the different ways that different customers use the product. Take coffee, for example. Some people drink it for waking up or staying alert, while others view coffee as a way to relax or socialize (coffee breaks).

Segmenting by customer coverage This type of strategic segmentation normally emerges from a trade-off study of marketing costs versus market coverage. There appears always to be a point of diminishing returns in the cost-versus-coverage relationship. The corporation's task, therefore, is to optimize its range of market coverage. Be it geographical or channel. So that its cost of marketing will be advantageous relative to the competition.

Segmenting the market once more In a fiercely competitive market, the corporation and its head-on competitors are likely to be dissecting the market in similar ways. Over an extended period of time, therefore the effectiveness of a given initial strategic segmentation will tend to decline. In such a situation it is useful to pick a small group of key customers and reexamine what it is that they are really looking for. Changes In customer mix:

Such a market segment change occurs where the market forces are altering the distribution of the user-mix over time by influencing demography, distribution channels, customer size, etc. This kind of change means that the allocation of corporate resources must be shifted and/or the absolute level of resources committed in the business must be changed.

3: COMPETITOR-BASED STRATEGIES

These strategies can be constructed by looking at possible sources of differentiation in functions such as: purchasing, design, engineering, sales and servicing. Ways to do this:

The power of an image, Both Sony and Honda sell more than their competitors as they invested more heavily in public relations and advertising. And they managed these functions more carefully than did their competitors. When product performance and mode of distribution are very difficult to differentiate, image may be the only source of positive differentiation. But the case of the Swiss watch industry shows that a strategy built on image can be risky and must be monitored constantly.

Capitalizing on profit- and cost-structure differences Firstly, the difference in source of profit might be exploited. For profit from new product sales, profit from services etcetera. Secondly, a difference in the ratio of fixed cost and variable cost might also be exploited strategically. Because a company with a lower fixed cost ratio can lower prices in a sluggish market. In this way it can win market share. This hurts the company with a higher fixed cost ratio. The market price is too low to justify its high fixed cost and low volume operation.

Tactics for flyweights If such a company chooses to compete in mass-media advertising or massive R&D efforts, the additional fixed costs will absorb a large portion of its revenue. Its giant competitors will inevitably win. It could however calculate its incentives on a gradual percentage basis, rather than on absolute volume, thus making the incentives variable by guaranteeing the dealer a larger percentage of each extra unit sold. Of course, the big three market players cannot afford to offer such high percentages across the board to their respective franchised shops; their profitability would soon be eroded.

Hito-Kane-Mono A favorite phrase of Japanese business planners is hito-kane-mono, or people, money, and things (fixed assets). They believe that streamlined corporate management is achieved when these three critical resources are in balance without any surplus or waste. For example: cash over and beyond what competent people can intelligently expend is wasted. Too many managers without enough money will exhaust their energies and involve their colleagues in a time-wasting warfare over the allocation of the limited funds. Of the three critical resources, funds should be allocated last. The corporation should first allocate management talent, based on the available mono: plant, machinery, technology, process know-how, and functional strengths. Once these hito have developed creative and imaginative ideas to capture the business's upward potential, the kane, or money, should be allocated to the specific ideas and programs generated by individual managers.