

(15b) Requisites of competitive success

- o Purpose of a business is to create & keep a customer.
 - s To do that you have to
 - ï Produce & deliver goods & services that:
 - H people want & value
 - H at prices &
 - H under conditions
 - H that are reasonably attractive relative to competition
 - ï To a proportion of customers large enough to make those prices & conditions possible
 - s To continue to do that the enterprise must
 - ï Produce revenues in excess of costs to attract & hold investors in the enterprise
 - H in sufficient quantity
 - H with sufficient regularity
 - ï Stay abreast and sometimes ahead of competitive offerings
- o This Requires
 - s Clarity of:
 - ï purposes
 - ï strategies
 - ï plans
 - s In large organizations:
 - ï written down
 - ï clearly communicated
 - ï frequently reviewed by senior members of the enterprise.
 - s Appropriate system of
 - ï Rewards, audits, and controls
 - ï To assure that what's intended
 - H gets done
 - H & rectified when not.

(15c) Customers, money, and conscience

- o Business is about only two things—money and customers
 - s It takes
 - ï Money to get started
 - ï Customers to keep going
 - ï More money to
 - H hold on to existing customers and
 - H attract new ones
 - s Hence the two central activities of every business are marketing and finance
 - s Finance

- ï Deals with the acquisition, management, and control of money
 - H Activities that are always strained and competitive.
 - H You
 - r get money by competing for it
 - r dispense money among contenders for it
 - r control money by overseeing its use by other people (who'd rather be left alone)
- ï A company cannot have too much capital
 - H The amount of capital a company needs depends on:
 - r the intensity of the competition it faces
 - r the nature, pace, and acceleration of its industry
 - 4 The greater the acceleration, the more capital is needed to
 -] keep up
 -] let alone get ahead.
- ï When capital gets short or beyond easy reach
 - H This quickly creates constraints
 - H It generates resistance and a grudging attitude toward spending money for things that are not instantly self-justifying, especially:
 - r innovation
 - r experimentation
 - r R&D
 - r organization development
 - r new equipment to replace the still working old
 - r hiring and nurturing the people on whose enterprise and initiative the future of the enterprise depends
 - H Nothing distorts possibilities and inhibits enterprise so much as the absence of funds necessary for enterprise
- ï It is almost impossible for a company
 - H to have too much money
 - H to have more than it can use to help shape its own thriving future
- ï This does not mean it should have a cash-rich balance sheet or be indifferent to economy
- ï Only that it should have such an abundance of capital, or such reliable

PD's View of Developmental Directions

- access to it as to feel easily comfortable about doing what ought to be done.
- s Marketing
 - ï Gets customers by inducing them to switch from competitors
 - ï Keeps customers by staying better than competitors
 - ï Creates entirely new customers by offering things of such irresistibility that they shatter people's
 - H natural inertia
 - H indifference or
 - H active sales resistance
 - ï A company cannot have too many customers
 - ï Everybody should constantly consider the financial and customer getting consequences of everything
 - H of what's being done
 - H of what's being contemplated
 - H of what's not being done
 - ï If something doesn't pass one or preferably both these tests, something is wrong
 - ï It calls for action—and now, not later
- o A manager cannot have too much decency
 - s It matters how people feel about ...
 - ï the moral legitimacy and social worth of what they do and
 - ï the people with whom they are associated
 - s The world's work is not naturally noble
 - ï Its outcomes are not automatically symmetrical or benign
 - s To force all business decision making and actions into the fixed vortex of customers and financial considerations
 - ï Imposes a harsh and narrow discipline.
 - ï It is a necessary and compelling discipline
 - H but never sufficient
 - H and often nasty
 - ï Standing alone, ungoverned by higher values and commands, it can and usually does become grotesque
 - s The people who lead and manage
 - ï Moral gyroscope of sorts
 - ï Some ethical standards
 - ï Some sense of social duty and decency
 - ï Some guiding principles of right and wrong
- ï Possessed of some character, conscience, and even nobility
- ï Without these nothing else is worth saying or prescribing