

## (15b) Requisites of competitive success

- o Purpose of a business is to create & keep a customer.
  - s To do that you have to
    - i Produce & deliver goods & services that:
      - H people want & value
      - H at prices &
      - H under conditions
      - H that are reasonably attractive relative to competition
    - i To a proportion of customers large enough to make those prices & conditions possible
  - s To continue to do that the enterprise must
    - i Produce revenues in excess of costs to attract & hold investors in the enterprise
      - H in sufficient quantity
      - H with sufficient regularity
    - i Stay abreast and sometimes ahead of competitive offerings
- o This Requires
  - s Clarity of:
    - i purposes
    - i strategies
    - i plans
  - s In large organizations:
    - i written down
    - i clearly communicated
    - i frequently reviewed by senior members of the enterprise.
  - s Appropriate system of
    - i Rewards, audits, and controls
    - i 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
    - i Money to get started
    - i Customers to keep going
    - i 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

- i 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)
- i 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.
- i 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
- i 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
- i This does not mean it should have a cash-rich balance sheet or be indifferent to economy
- i 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