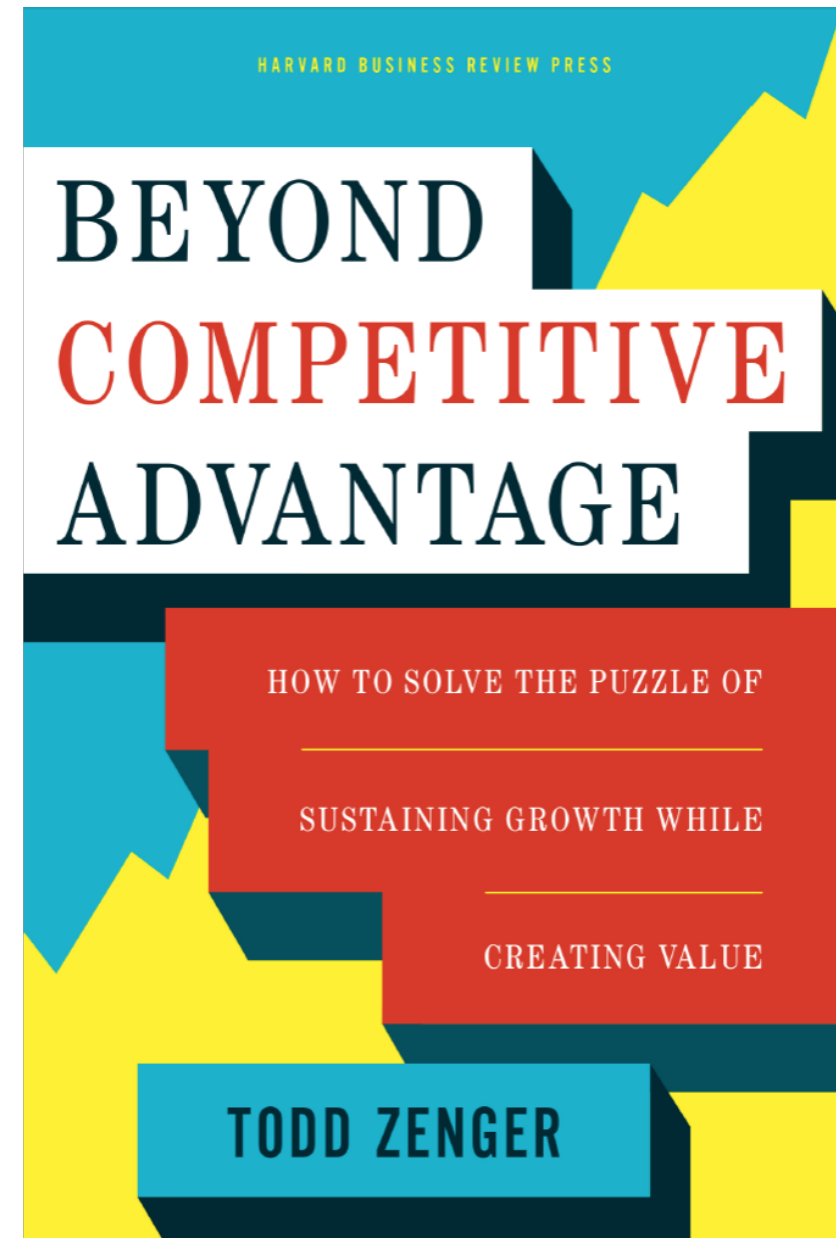


# CORPORATE STRATEGY

Todd Zenger



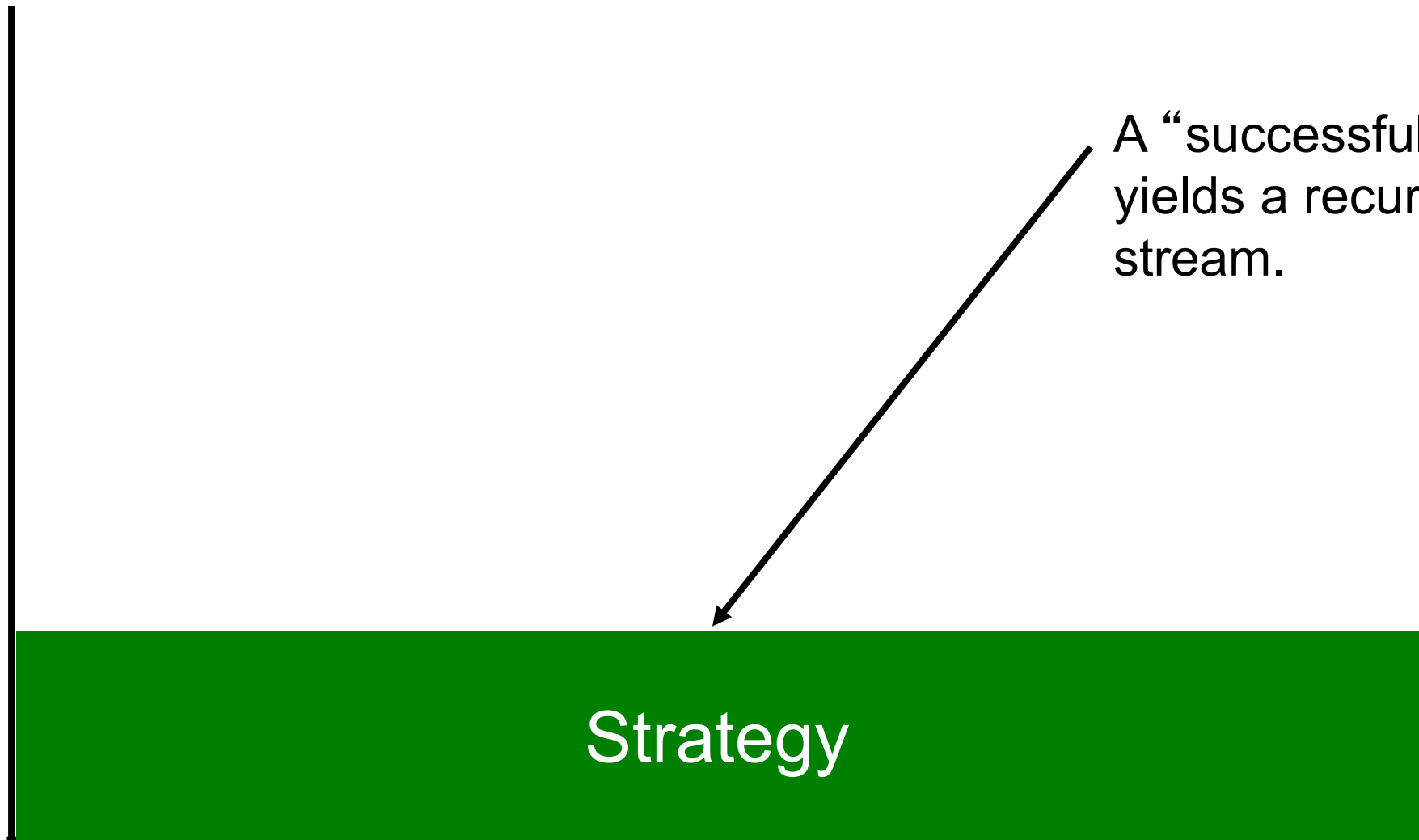
# THE CHALLENGE OF GROWTH

Why is growth strategically important?

# CLASSIC VIEW OF STRATEGY

How do firms position themselves to capture and maintain profit streams?

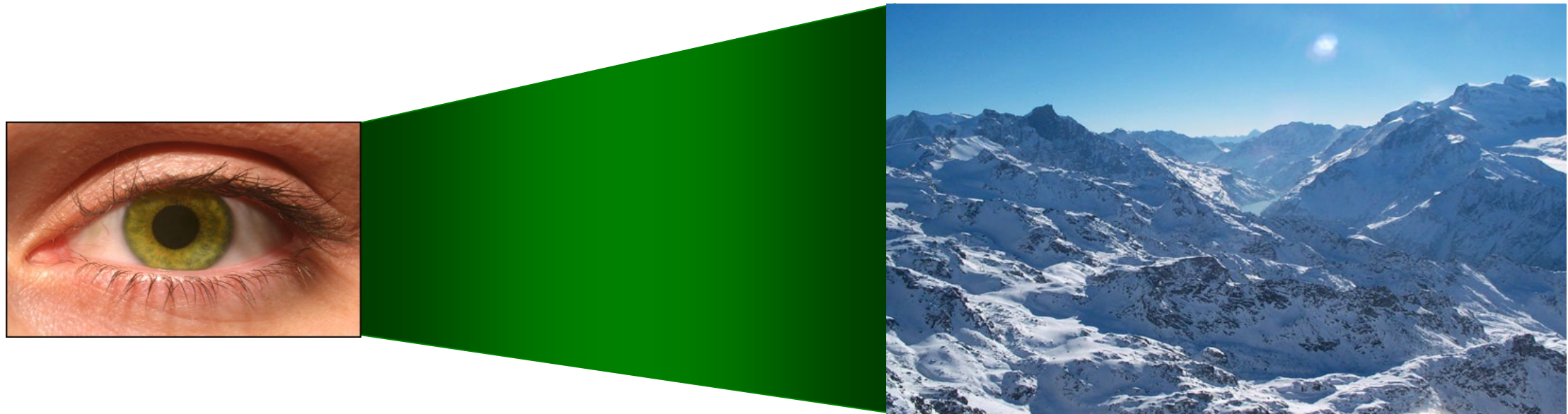
Profit



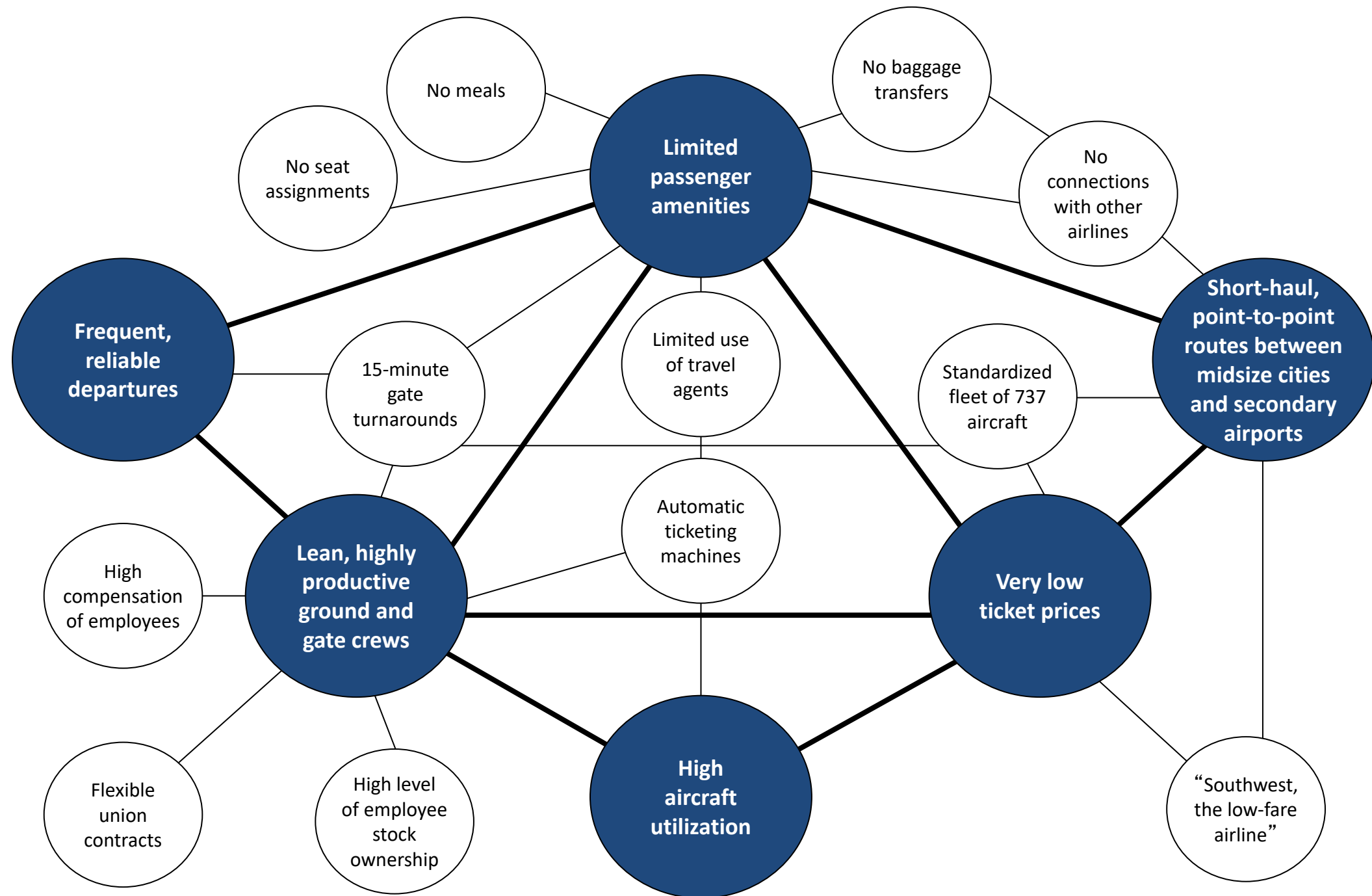
Time

# SEARCHING FOR A VALUABLE POSITION

- ▶ Choosing a desired position and configuring a strategy to attain it.

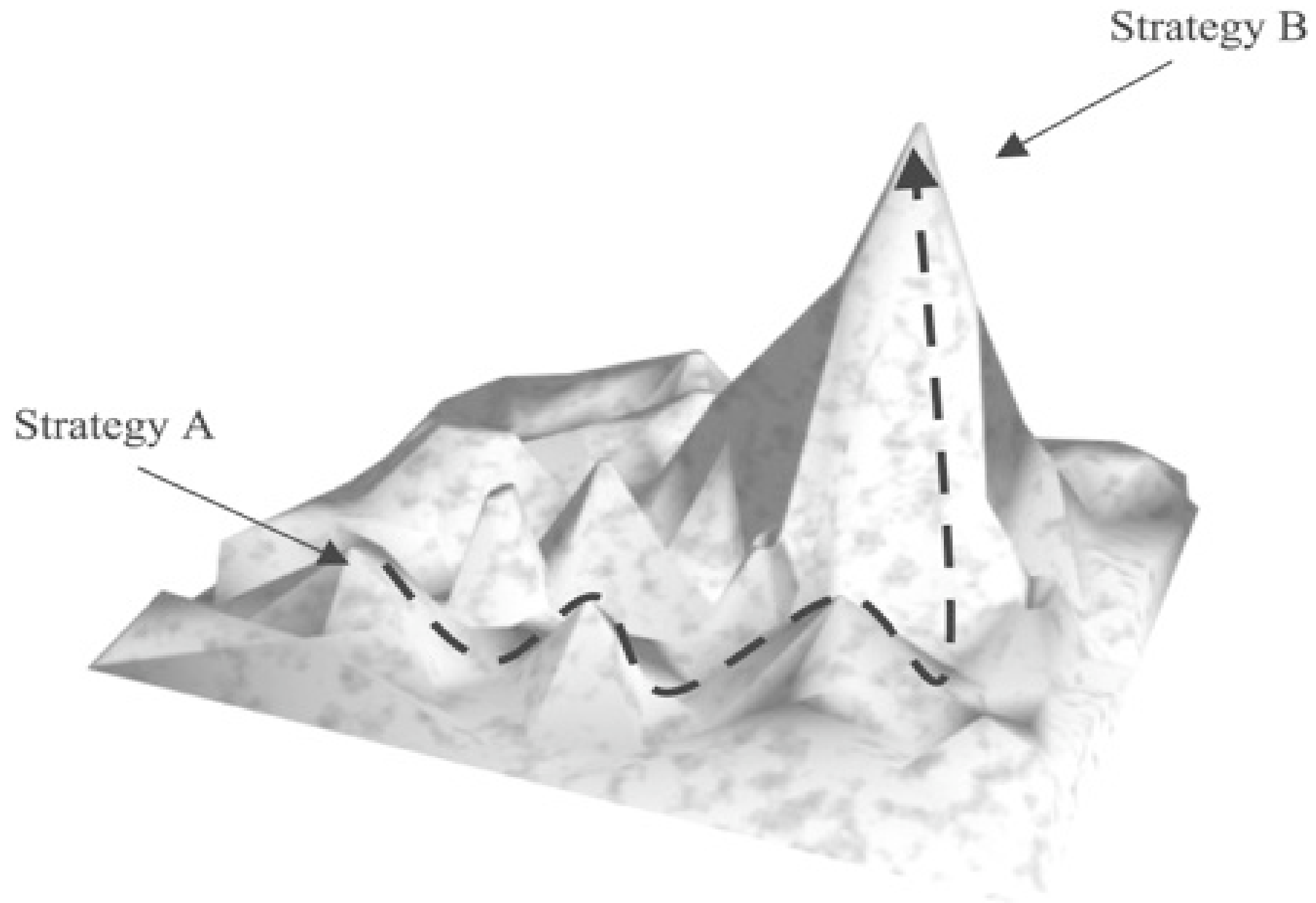


# SOUTHWEST AIRLINES' ACTIVITY SYSTEM



Source: Michael E. Porter "What is Strategy" *Harvard Business Review*, Nov-Dec 1996

# SEARCHING A COMPLEX LANDSCAPE



# VALUE CREATION AND CAPTURE

- ▶ To create and capture value a firm must configure itself to not only generate value but do so uniquely
- ▶ Test: were the firm to disappear, could a competitor, supplier, or customer replace it perfectly?



# OCCUPYING/DEFENDING A VALUABLE POSITION



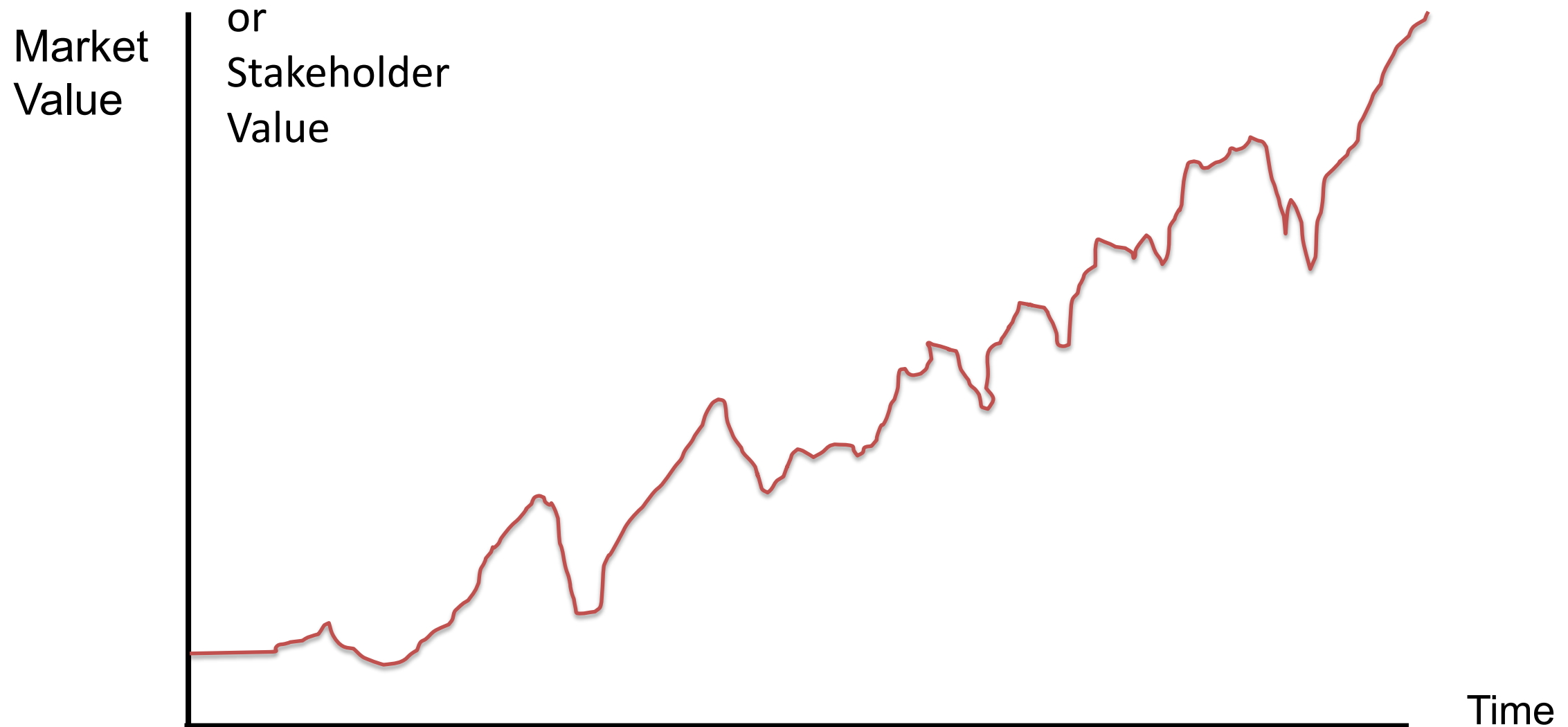


# GENERIC POSITIONS

*Source of Competitive Advantage*

		Cost Leader	Differentiation
<i>Competitive Scope</i>	Broad Segment	Cost Leadership	Differentiation
	Narrow Segment	Focus	

# STRATEGY'S REAL GOAL...



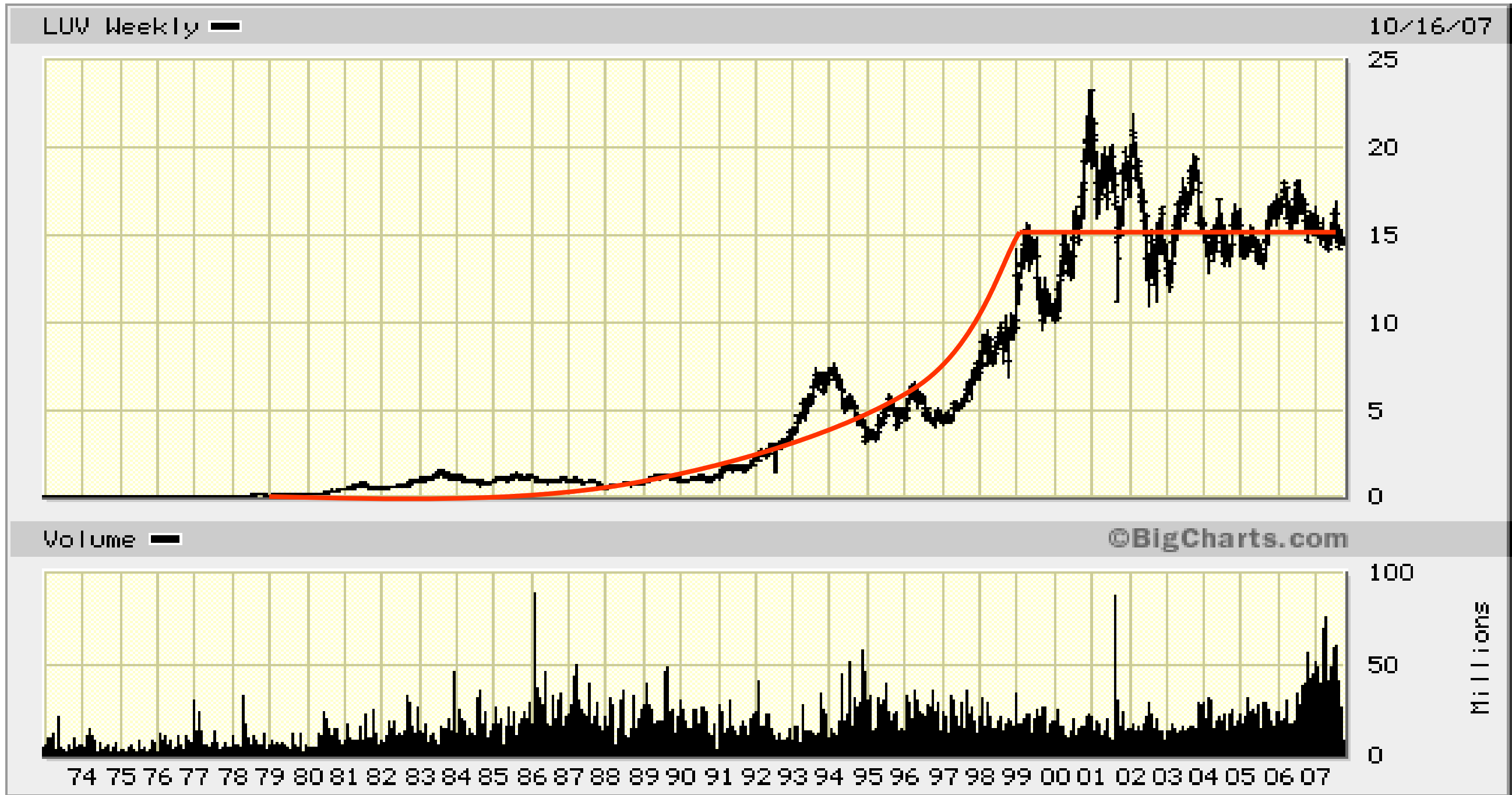
# THE REALITY



# COMMON EXAMPLES OF SUCCESSFUL STRATEGY

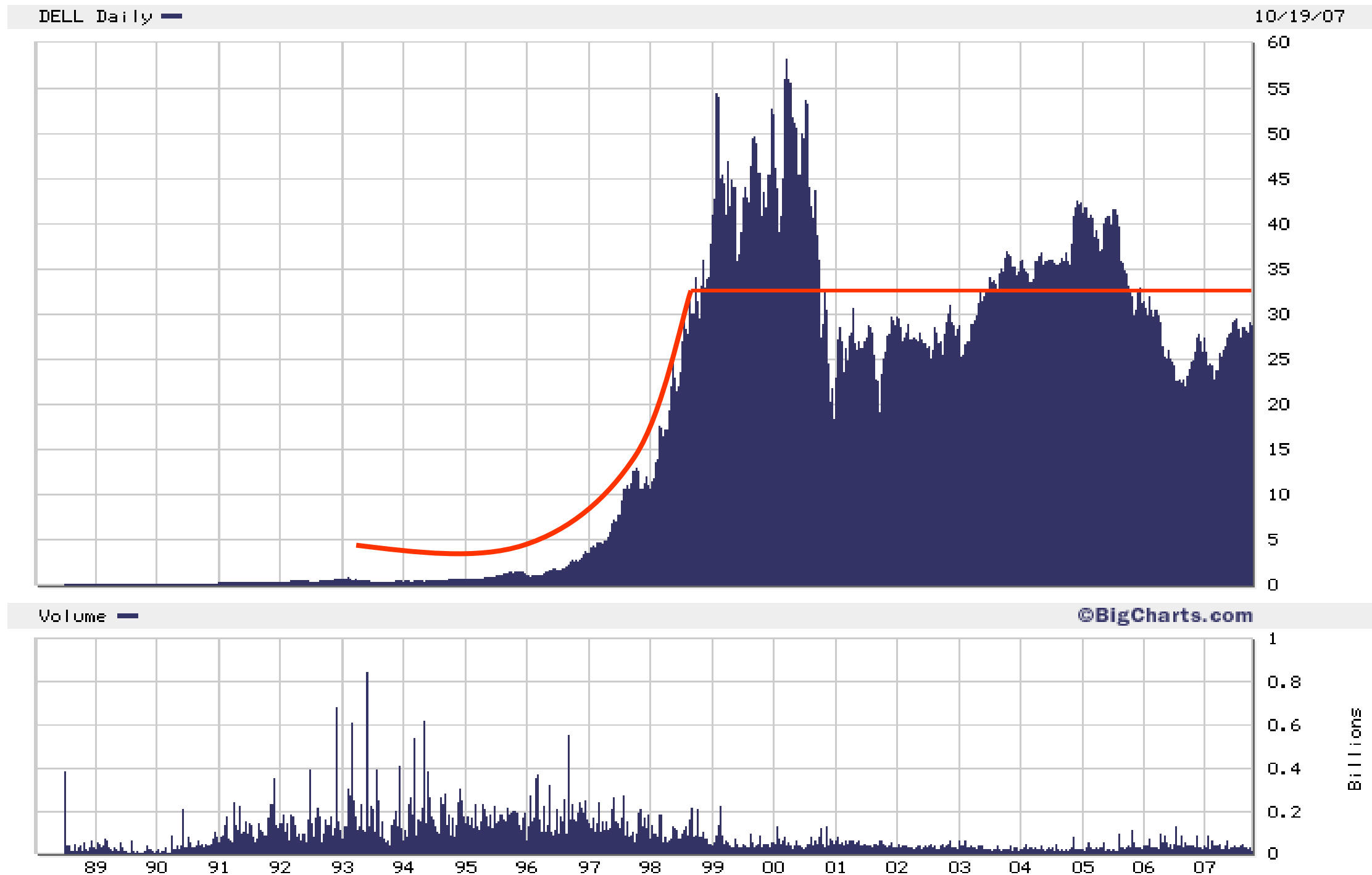
- ▶ Wal-mart
- ▶ Southwest Airlines
- ▶ Dell Computer
- ▶ Microsoft
- ▶ Intel
  
- ▶ However.....

# REALITY OF SOUTHWEST AIRLINES





# DELL COMPUTER





# LEARNING THIS VERY DIFFICULT LESSON



- ▶ Asked what to do with Apple Computer in 1997, in front of several thousand IT executives, Michael Dell responded:
- ▶ "What would I do? I'd shut it down and give the money back to the shareholders."
- ▶ October 6, 1997

# APPLE VS. DELL



# APPLE VS. DELL

Dell Inc. (DELL) - NasdaqGS

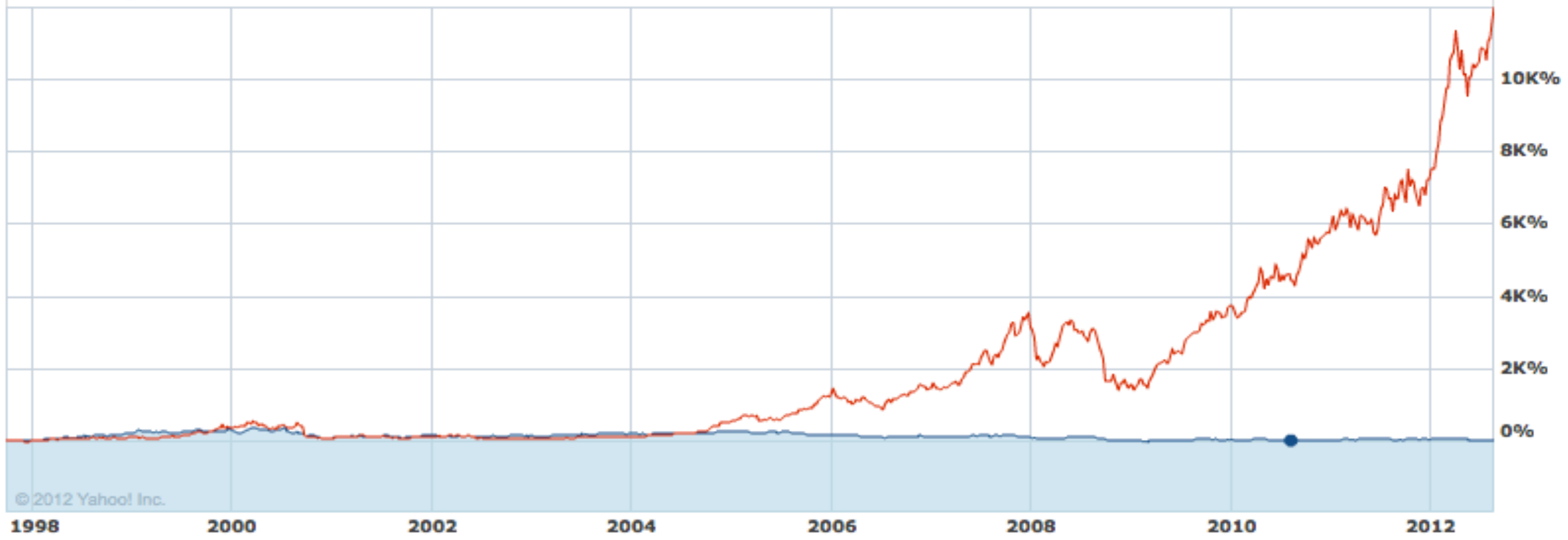
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[f Like](#) 21

**11.37** ↓ 0.31 (2.67%) 11:39AM EDT - Nasdaq Real Time Price

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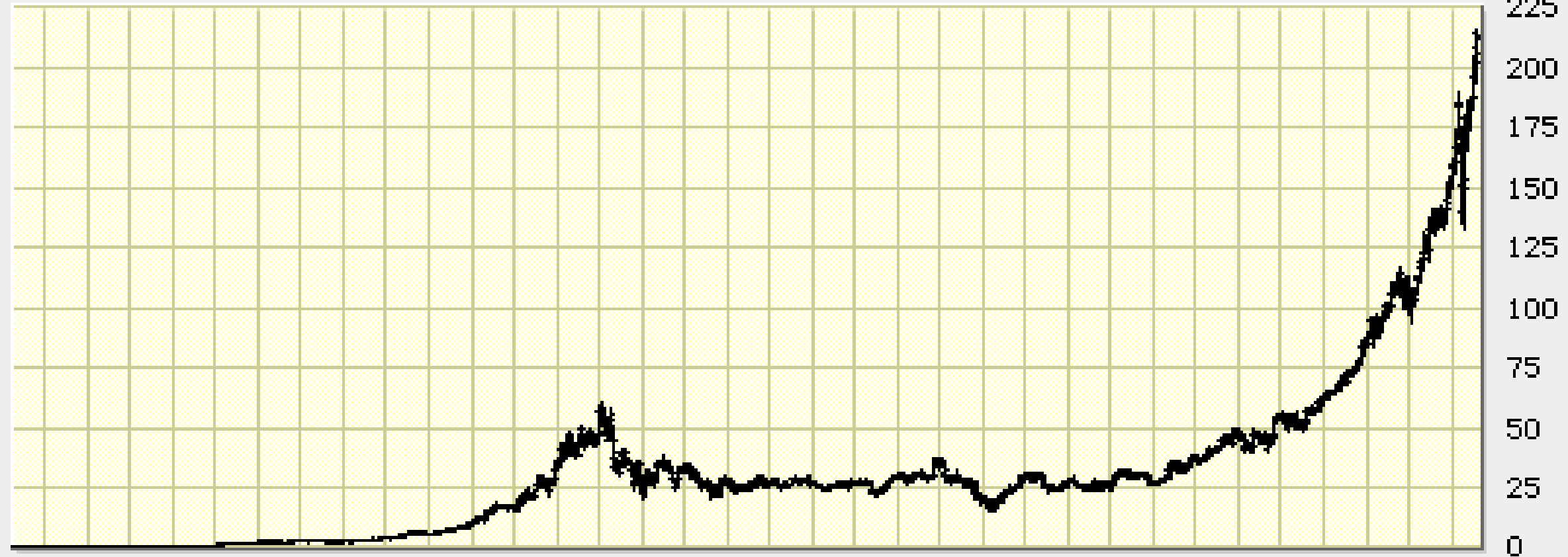
Week of Aug 9, 2010: ■ DELL 12.01 ■ AAPL 249.10



# MICROSOFT – 14 YEARS FLATLINED

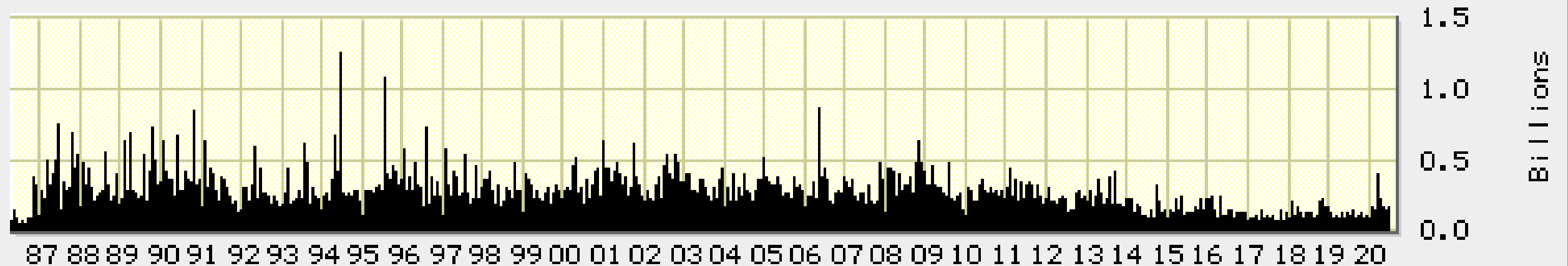
MSFT Weekly —

7/19/20



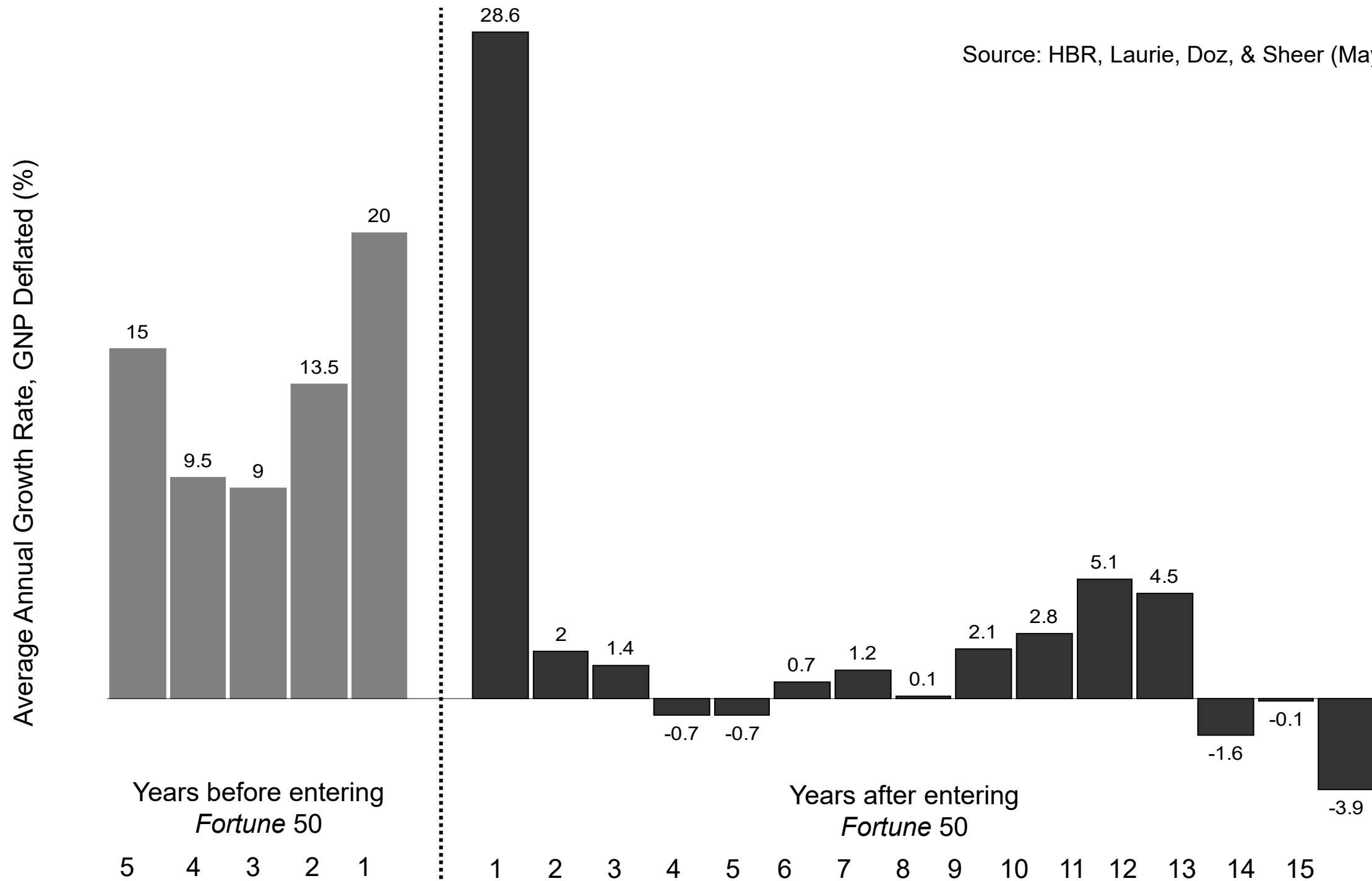
Volume —

©BigCharts.com



# SUSTAINING GROWTH IS HARD TO DO

Source: HBR, Laurie, Doz, & Sheer (May 2006)



# THE PROBLEM OF GROWTH

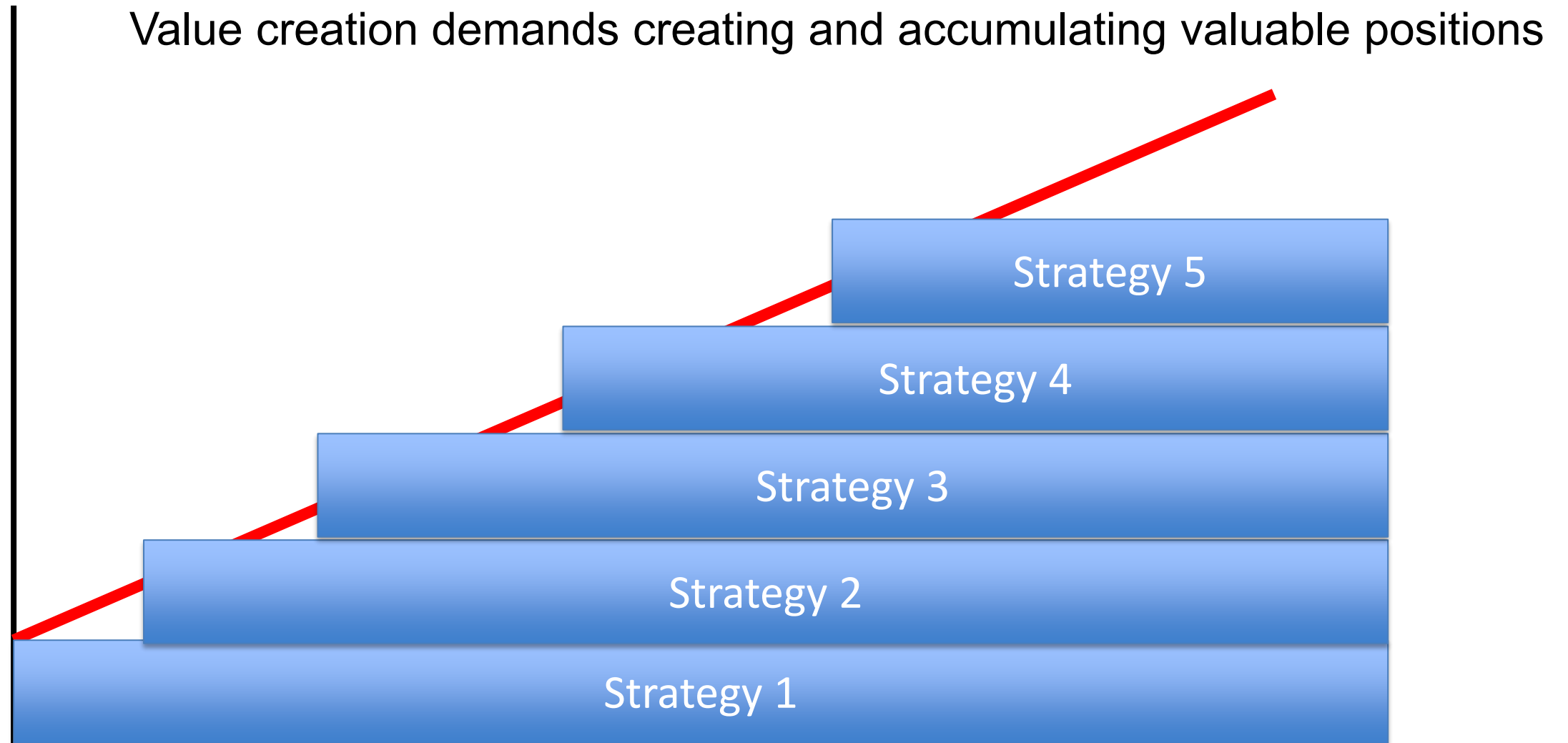
Successful companies relentlessly discover new profit streams.

Profit



# VALUE CREATION DEMANDS CONSTANTLY FINDING NEW SOURCES OF VALUE

Value Creation



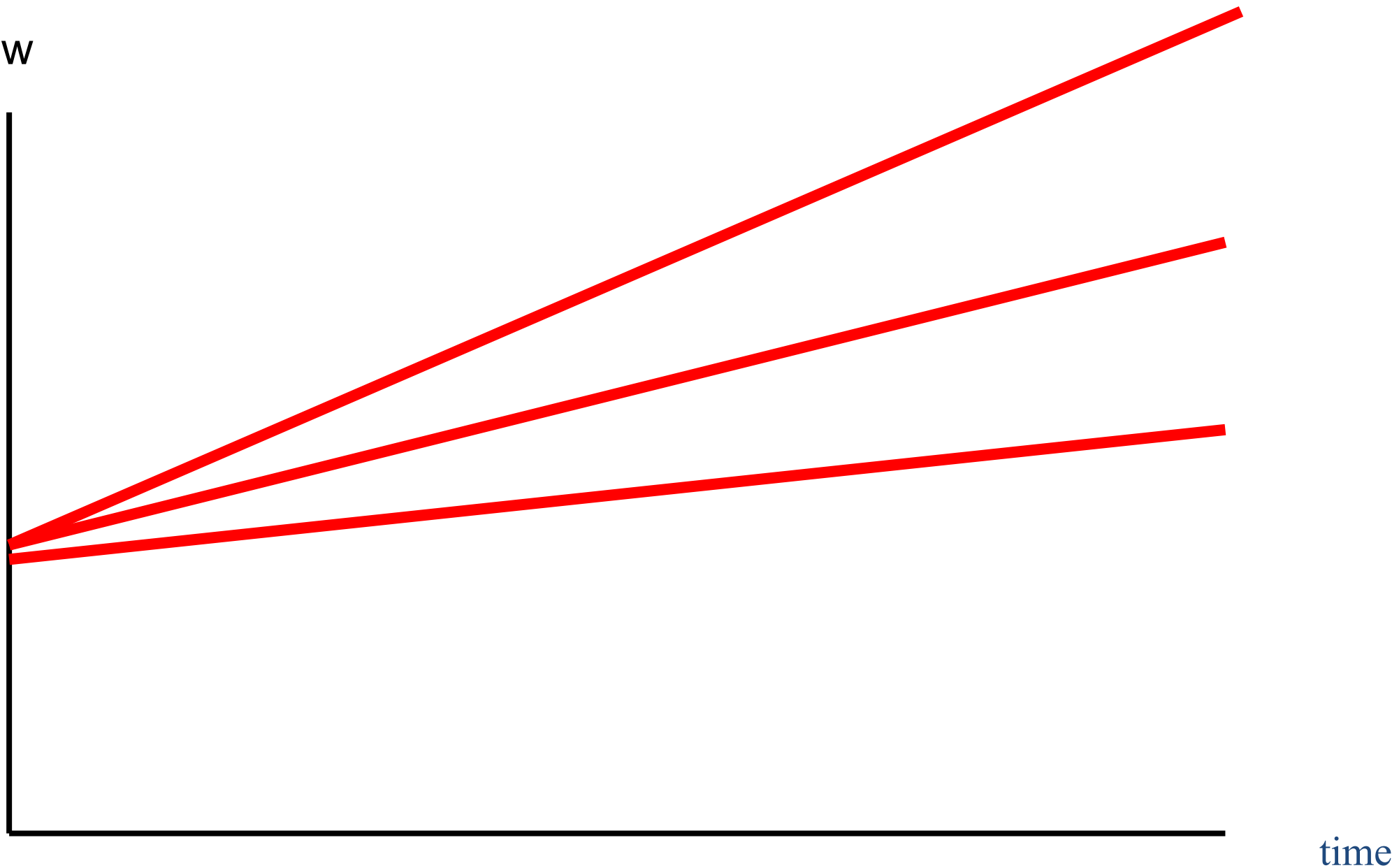


# WHAT IS VALUE?

- ▶ Concept 1: Discounted present value of future returns

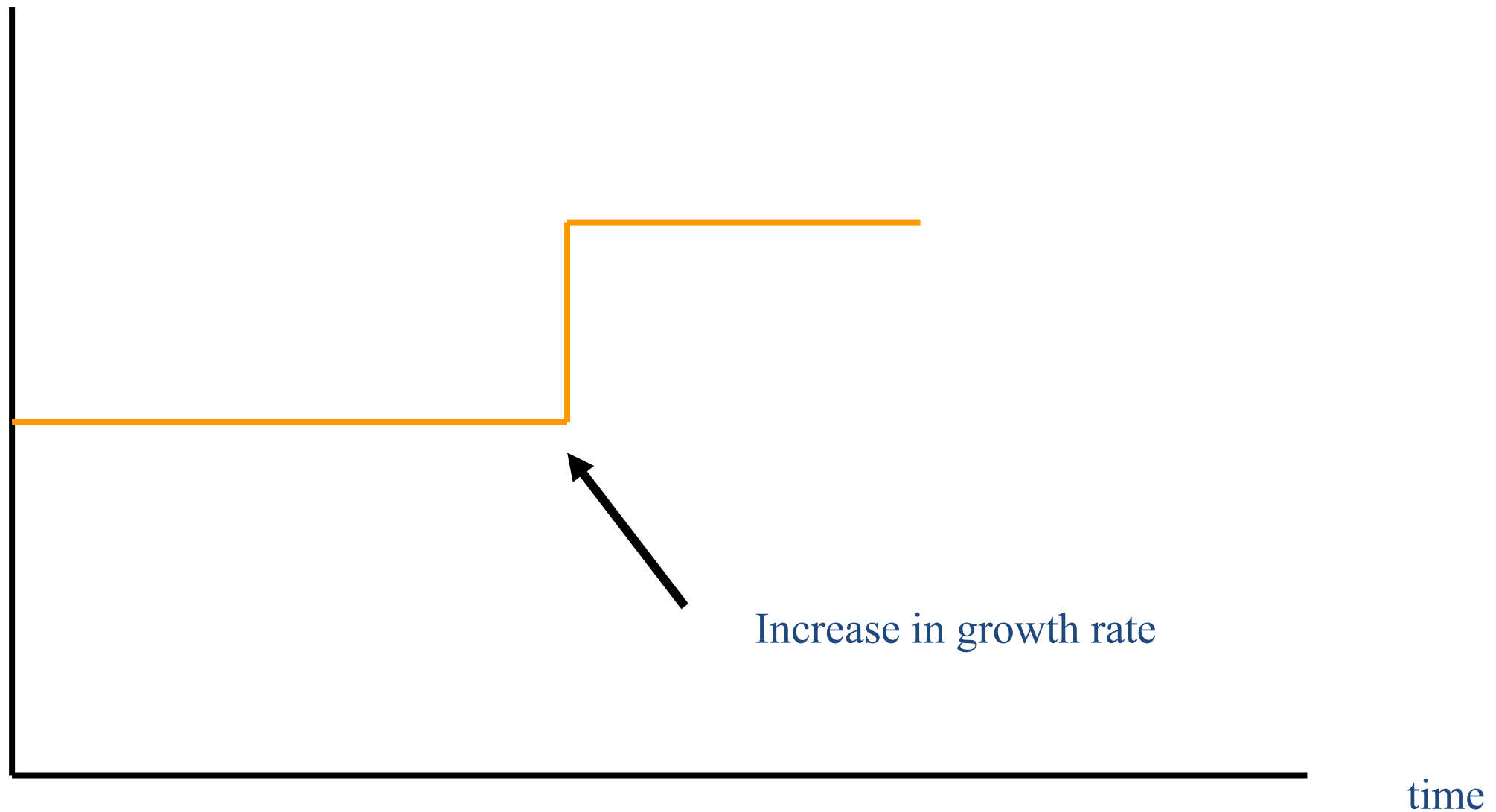
# GROWTH, CASH FLOWS, AND VALUE CREATION

Cash Flow



# GROWTH, CASH FLOWS, AND VALUE CREATION

Value \$

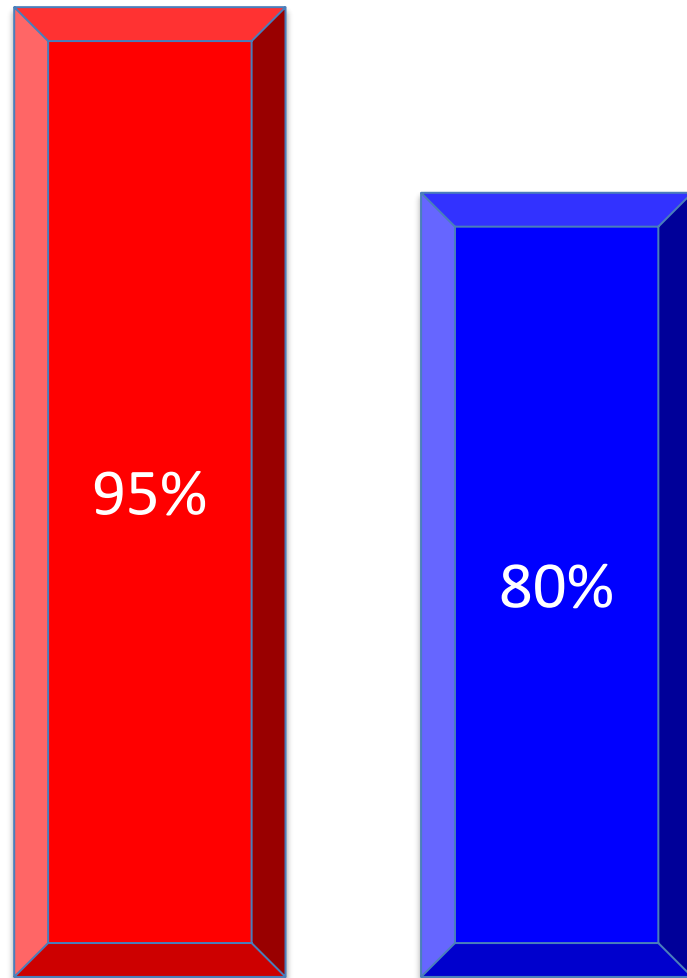


# WHAT IS VALUE?

- ▶ Concept 1: Discounted present value of future returns
- ▶ Concept 2: Market's perception of the discounted present value of future returns

# THE TYRANNY OF BEING VALUED ON EXPECTATIONS

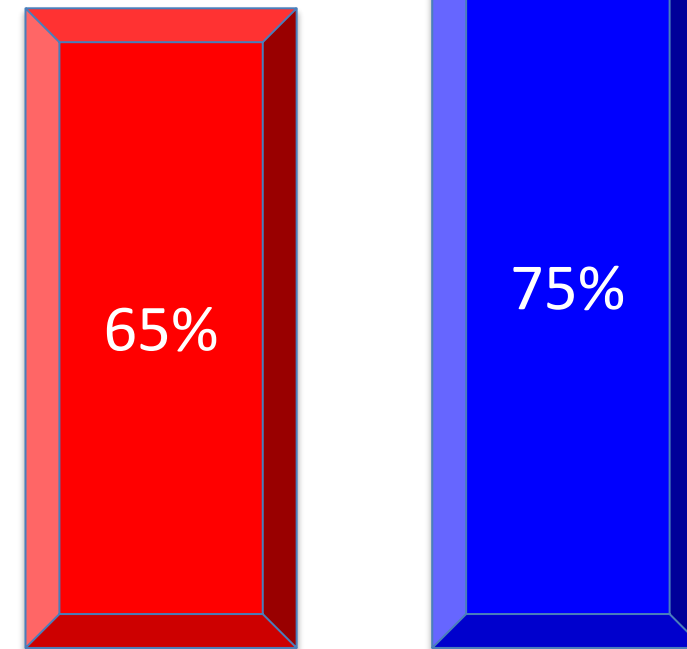
Student X



Expected  
Score

Actual  
Score

Student Y



Expected  
Score

Actual  
Score

# DEAD ON ARRIVAL



“Efforts to grow blur uniqueness, create compromises, reduce fit, and ultimately undermine competitive advantage. In fact, the growth imperative is hazardous to strategy” – Michael Porter

**Firms require something more than a position to sustain value creation!**



# THE OPTIONS:

1.



2.

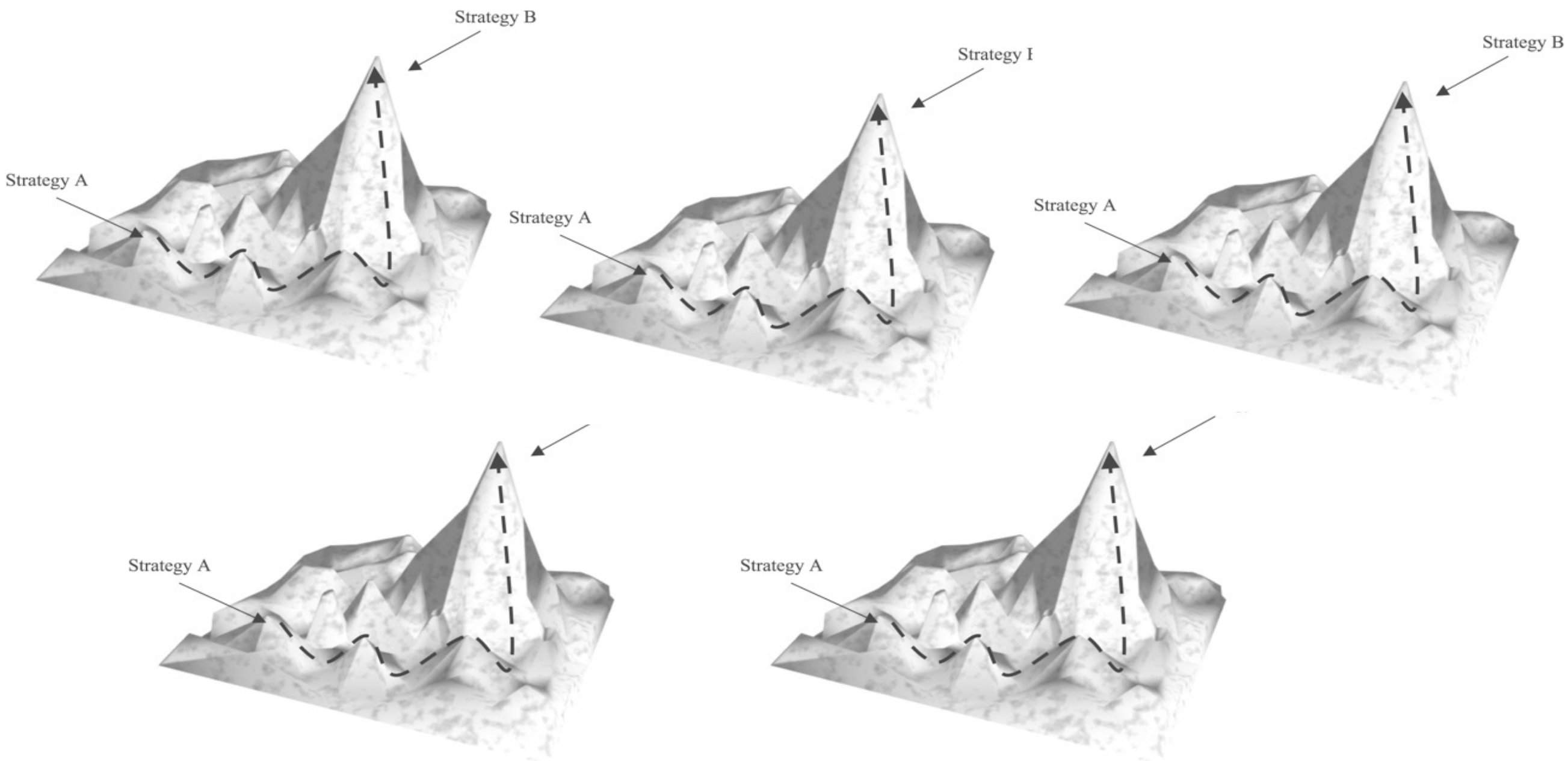


3.





# CONSTANT SEARCH FOR NEW POSITIONS AND MARKETS



# THE GOAL

- ▶ Craft an organization constantly in search of new value.
- ▶ The goal is not growth *per se*, as some growth is value destroying.
- ▶ Create an organization that is effective in relentlessly sustaining profitable growth and in discovering new sources of such growth.
- ▶ Create an organization that is effective in sustaining value creation (through means other than pure Wall Street marketing).

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# BEYOND COMPETITIVE ADVANTAGE

HOW TO SOLVE THE PUZZLE OF  
SUSTAINING GROWTH WHILE  
CREATING VALUE

TODD ZENGER