

## How to Play the Game!

You could argue that all you have to do is to set out the main activities in your value chain from procurement to production and from production to sales and service and you can then start “to play the game.” You could set out your functional plans in marketing, decide on the type of technology to be used in operations and production, some kind of staff plan and how much debt to bear to.

All well and good but what really is important here is to determine the key activities required to be successful and then combining these into a reinforcing system that achieves the fit between the needs of the market and the actions taken by the company.

- The fit and balance of all these activities and the capabilities they require and how they support one another
- The fit between this bundle of capabilities and activities and the requirements of the market

The importance of seeing your company as a combination of activities cannot be underestimated. Taking a big picture approach in designing activities actually gives you the means to set out the right activities to ensure business success. The issue is to identify an entire series of activities required to achieve real customer service in your markets and then bundle them into a “unique” system.

### Achieving sustainable differentiation

If considered carefully the choice of activities will, ultimately, influence the company’s means of achieving differentiation. This might be achieved in one of two ways. The first is to carry out activities that are altogether different from those of competitors and the second is to perform activities in a different way to competitors’.

Moreover, any unique strategic position is far more likely to offer sustainable competitive advantage if it is built on systems of interlocking activities, rather than on an array of individual activities. This means, of course, that, in attempting to imitate a company’s strategic position, any rival will be forced to replicate not only the company’s key activities, but also the way it carries them out. In other words, the activity system itself!

It is much harder for a rival to replicate an array of interlocking and reinforcing systems than it is for it to copy a product and match a process technology. For example, the essence of easyJet’s strategic positioning, as a short-haul, ‘no frills’, low-cost service for business travellers, tourists and students in Europe, rests on an interlocking system of the activities it performs to support its low-cost convenience positioning. These include fast gate turnarounds, frequent departures with few aircraft, automated ticketing, self seat selection, meals at cost, and low maintenance and fuel costs.

In contrast, a full-service airline performs

activities to support a high-cost, full-service programme. It will provide customers with services to reach any number of destinations, with a larger range of aircraft, provide comfort, offer in-flight meals, and arrange connecting flights, as well as checking in and transferring baggage.

Both types of airline operate valuable and unique strategic positions that are built on tailored systems of interlocking activities rather than on individual activities.

However, such a *fit* should not be viewed as a permanent system. In an ever changing business environment where customer wants change, it is important to retain a flexible approach to tailored systems of interlocking activities.

Flexibility can be achieved and sustained via a variety of measures that question the *status quo* and allow a business to evolve and preserve a fit with its markets.

## Putting the system together

In designing your company's system of activities you should bear 4 principles in mind.

1. Individual activities must be ones demanded by – and fit - the market place. For example there is no sense in marketing your services on the internet if your market doesn't use the net.

Similarly there's no point in developing capabilities in developing channels of distribution if your customers are buying direct or buying on the internet.

This may sound obvious – but it happens!

2. Each activity you decide to perform must fit together. For example manufacturing must make the products you are marketing. Similarly you can't expect people to apply their talents in other areas of the business without an incentive system to encourage such behaviour.
3. These activities must be in balance with one another. For example if you decided to put in more production capacity without increasing sales you could end up with excess capacity or stock. Equally if you increase sales capacity without increasing production you could end up with a lot of dissatisfied customers. The point is that you can't invest activity in one without investing in the other. While this might sound simplistic the whole subject of balance is more complex and all activities may be affected.
4. In designing a system of activities keep in mind that they will collectively form an interrelated system. Invariably such systems drive behaviour, so if you want to change it you have to change the structure of the system

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# The Strategist's Choice

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Best wishes

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