

Sources of Strategic Innovation

WHILE ESTABLISHED competitors try to outperform one another in their existing positions, strategic innovators build their success by discovering new strategic positions that emerge from time to time as markets evolve

Instead of attacking the established competitors in their existing, well-protected positions, these innovators created *new* strategic positions, which in turn allowed them to change the rules of the game by which everyone else in the market was playing. What is a *new* strategic position? Nothing more than a new customer type/a new offer of value/a new system of unique activities to support the position, or a new combination of all three:

1. A new customer type

- a new customer segment that emerges from changes in the market (such as shifting customer preferences or new demographics)
- a new customer segment created because the mass market is fragmenting a new customer segment formed by creative re-segmentation of the existing customer base
- an existing customer segment that competitors have overlooked
- an existing customer segment that "explodes" and grows tremendously because of changes in the industry

2. A new offer

- a new customer need that emerges from changes in the market (such as shifting customer preferences or new demographics)

- a new customer preference becoming more important as a result of changes in the market
- a new customer need created by the marketing tactics of other companies
- an existing customer need that competitors have neglected

3. A new system of unique activities

- a new way (usually made possible by a new technology) of manufacturing, distributing, selling, or delivering a new-or existing-product or service to a new-or existing-customer segment

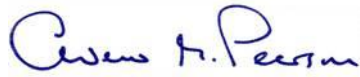
Simply finding a unique position on the strategic map does not protect a company from competition. For example, Dell created a unique position in the PC business. Yet, unique positions do not isolate such companies from competition. Dell is in competition with IBM and Compaq. Each must still strive to improve its offerings to customers through better value-for-money propositions-or risk losing customers to its competitors.

While striving to improve its current position through operational improvements, a company must also try to protect that position from competitors. This can be done by organising activities into a tight system, or 'mosaic' of activities that support and reinforce one another so making it difficult for competitors to imitate its position because they must not only imitate individual activities but the interactive "mosaic" of as well.

If you would like to know more about how to create a superior strategy you might like read my book *"How to Create Breakthrough Strategies for Your Business."* For a dynamic approach to formulating business strategies please contact me at andrew@uniquebusinessstrategies.co.uk for details.

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Best wishes,



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