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A good strategy implies a decisive competitive edge

The TOC way

Common sense and simplicity in the strategy: “simplicity is the ultimate sophistication”. Leonardo Da Vinci

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In order to achieve an important improvement in the financial performance of a company, it is necessary to have a **Decisive Competitive Edge – DCE**, which satisfies a Significant Need of the clients until achieved a point in which almost any competitor can't satisfy. So, the DCE has its origin in the atmosphere of businesses that involve our clients. This means that a good strategy manages to achieve a **unique** company in the market.

A Significant Need (SN) of the clients is one that, when satisfied, the client improves (in order of magnitude) his level of performance; for example: One company that repairs sensible machinery for mining, such as a power shovel or the pumps that extract water from the mines at open pit coal mining operation, much more important than the price, it is a **reliable rapid response**, due to that the damage caused by not having in time the equipment, is enormously greater than the value of the reparation. Not all the clients have the same significant needs, so it is necessary a very good segmentation of the market, in order to find the Needs of the different segments and to identify which will be the Advantage that will allow to capitalize over the need.

But when we observe the daily activity of the company, this moves against the SN, like the famous actions to decrease costs, trying to achieve local optima, neglecting the global; these supposed savings, the greater part of the time obey to virtual accounts that have nothing to do with reality. It is really common to find companies that in their accounts have been saved thousands and thousands of dollars, but when observed their financial development across the time, the conclusion is that this has not changed and that most of the times it has been deteriorated. It is common to find executives of big companies ask themselves: **where do our savings go in costs?**

A good strategy is always faced to create a BIG value for the company, going against the current practice of Continuous Improvement or the certifications, where there doesn't exist a real change in the paradigm; a good strategy implies to change one or more paradigms, so that it will be needed of courage of the shareholders and of the high executives. **“If you basically, do the same thing, then, why will you wait for a different result?”**

The DCE that satisfies the SN normally has to be built in the operative part, achieving an excellence in the operations (that satisfy the SN) will allow to satisfy the client in such a form that we will be their favorite suppliers. It is also common to find that few companies are really

focused in finding a DCE, most of them are in the strategy of “**me too**”; they are not focused and in vague themes and turning off just the daily fires. So, the company needs to define clearly the direction in which they should focus their more important efforts and start a detailed plan to achieve it. The strategy implies Focalization, Action, and Decision

Once achieved the DCE, one should capitalize over it, which means: make money. In matter of fact, it is necessary to prepare and sale a business offer so that the client understands, quantifies, and perceives the benefits of buying us.

When a DCE is reached and has been prepared and sold an appropriate offer, the expected result is a significant increase in the sales. In here, it can be generated an extremely dangerous cycle, if the increase of the sales exceeds the operative capacity of the system, deteriorating the DCE and, therefore, the reputation of the company, because of this, the increase in sales will be done until the point where there is no deterioration of the Operative Response, this deserves a system of Synchronization between Operations, Marketing, Sales, and Finances. In order to have a growth auto-sustainable it is necessary to identify the actions (inversion projects) so that when it is precise to elevate the capacity of operations. Therefore, all the strategic planning must include three important aspects:

1. - Build a DCE.
2. - Capitalize over the DCE, designing and selling an Unrefusable Offer (marketing and sales).
3. - Sustain in the time the DCE and Capitalize continuously over it, identifying the few projects that increase the Operative Response of the company (synchronization between Operation, marketing, sales and finance).