Success isn’t about having the right people, the right attitude, the right tools or the right role models. They all help, but alone they’re not enough. What you need to really succeed in the business world is the right strategy.

Strategy sets the competitive direction, dictates product planning and defines internal and external communications. Strategy tells you what to focus on.

In recent years there has been no shortage of advice on strategy. In the past 30 years, 21,955 books have been written about strategic planning and marketing.

Each one will give you a different spin on what creates a winning strategy, and is overflowing with jargon – sustainable competitive advantage, dynamic advantage, conjoint analysis, co-evolution. In the end, all this just creates confusion.

In my long career I have seen many businesses succeed and fail. I know what it takes, what makes the difference and how to develop a strategy that works. A business strategy driven by marketing is essential to success in a competitive environment.

I have written many books about success and failure, but I have never focused on what the essence of good strategy is all about. This time, I have extracted the key guidelines to creating and building a killer strategy.

What you are about to read is a short course on what I have learned about strategy in my long journey through the business world.
ABOUT THE AUTHOR

Jack Trout’s long career has allowed him to see first-hand the strategies of hundreds of companies throughout the United States. This has given him a unique insight into what makes the difference between success and failure in business.

He is now president of Trout & Partners, a marketing firm with offices in 13 countries around the globe. His observations about what works in business have been shared with the world through his 10 books and his frequent lectures to thousands of business people worldwide.

He is the author of best-selling marketing books including Positioning, Marketing Warfare and the 22 Immutable Laws of Marketing.

STRATEGY IS ALL ABOUT SURVIVAL

Good strategy is the key to surviving in a world where the competition is fierce. In the modern world, we are faced with what I call the tyranny of choice. Once upon a time, if you were wondering what was for dinner, you would have to go out and kill it.

Now you walk into a massive supermarket inside a megamall and you are presented with a sea of different types of food, all of which has been caught, killed and processed for you. Now your biggest problem is not catching dinner, it’s trying to decide between the hundreds of choices before you.

In recent decades, this explosion of choice has transformed business. In every category, the number of product choices has grown almost exponentially. In the early 1970s, there were 140 motor vehicle models available. Today there are 260. Thirty years ago websites did not exist. Now, there are nearly 5 million websites on the Internet and more are being created every day.

In an environment where we are surrounded by choices at every turn, competition is enormous. The customer has so many good alternatives that you will pay dearly for your mistakes. Lose a customer once and you may find that you don’t get their business back easily. Make that mistake a few times and your company will not survive.

This is only going to get worse. As we rocket into the future, we will experience the acceleration of just about everything. Choice begets more choice – it is a positive feedback loop. Complications beget choice, choices inspire technology, and technology creates complications.

In a tough world, using strategy is how you survive.

THE EXPLOSION OF CHOICE

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“strategy – (strat’i-jE), The science of planning and directing large-scale military operations, of manoeuvring forces into the most advantageous position prior to actual engagement with the enemy”

STRATEGY IS ALL ABOUT PERCEPTIONS

Positioning is all about how you differentiate yourself from the competition in the mind of your customer. My first words on strategy were an article I wrote called “Positioning is a Game People Play in Today’s Me-Too Marketplace.” Since then, with my partner Al Ries, I have
written some groundbreaking books on positioning and strategy, including *Positioning: The Battle for Your Mind* and *The New Positioning: The Latest on the World's #1 Business Strategy*.

**THE FIVE ELEMENTS OF POSITIONING**

Your business strategy will succeed or fail depending on how well you understand and deal with the five most important elements of the positioning process.

1. **MINDS ARE LIMITED**

   The human mind is a lot like a computer, it has a slot or a memory bank for each bit of information it chooses to retain. There is one major difference – the computer has to accept the information you put in. The human mind will only accept information that matches its current state of mind. If it doesn’t match, it will be discarded.

   In our information-saturated society, the human mind is a totally inadequate container. Harvard studies show that the average human mind cannot deal with more than seven units at a time, which is why seven is a popular number for lists that have to be remembered.

   To cope with the explosion of choice, people have learned to rank products and brands in the mind, creating a series of mind ladders. On each step is a brand name. Some ladders have many steps, some ladders only a few. If you want to increase your market share, you need to move up the ladder.

   The way to do that is to dislodge the brand above or somehow relate your brand to the other company’s position. The worst mistake you could make is to conduct your marketing plan as if the competitor’s position does not exist. You will be disappointed when your message fails to get through.

   If you want to introduce a new product, you need to carry in a new ladder. If the new category is not positioned against the old one, find a way to relate it to an existing product. Present your advertising or marketing message as important news. If people think you’ve got something important to say, they’ll usually listen.

2. **MINDS HATE CONFUSION**

   Human beings rely on learning more than any other species on the planet. Learning is the way we acquire information, and memory is the way we retain that information over time. Memory is more than just the ability to remember a phone number, your name or address. It’s a dynamic system that is used in every other thought process – from sight, to understanding language, communication and navigation. So what is the key to being remembered?

   In a world where complexity is spiralling out of control, the way to be remembered is to keep things simple. Many products have failed because they attempted to do everything and became too complicated for the mind to remember. Consider the personal communicator which is a mobile phone, fax, e-mail device and pen based computer that fits in your pocket. This is too much in a world where most people still don’t know how to program the VCR.

   The human mind resists the complex and cherishes the simple.

3. **MINDS ARE INSECURE**

   The human mind tends to be emotional rather than rational. People rarely know why they buy what they do – so why ask them? Experience shows that people buy what they think they should have. They ask others for their opinions and follow the herd. They assume that if they are doing what others are doing, it must be the right thing.

   Minds are insecure for many reasons, and one of the main reasons is perceived risk.

   **THE FIVE FORMS OF PERCEIVED RISK**

   1. Monetary risk – will I lose or waste my money?
   2. Functional risk – will it work or do what it’s supposed to?
   3. Physical risk – is it dangerous? Could I get hurt?
   4. Social risk – what will my friends think?
   5. Psychological risk – will I feel guilty or irresponsible if I buy this?

   To deal with uncertainty, people often look to others to help them decide how to act. That’s why testimonials are one of the oldest devices in advertising. They attack the insecure mind on several fronts – vanity, jealousy and the fear of being left out.

   Trying to create a “bandwagon” effect is also a clever strategy for dealing with the insecure mind. This creates a perception that a product is the fastest-growing or largest-selling. It shows that others obviously think the product is good.

   Another way to overcome insecurity is to trade on a heritage of good reputation. Coke cashes in on its background as the original cola by calling itself “the real thing”. Others use slogans such as “the original and still the best”.

4. **MINDS DON’T CHANGE**

   The marketing industry has long worked on the assumption that new-product advertising should generate higher interest than advertising for established brands. But in fact we are more impressed by what we already know or buy than by what’s new.

   Human beings’ innate resistance to change is the most difficult part of reengineering. Changing attitudes and
basic beliefs is extremely difficult. Even an elaborate and intense procedure like psychotherapy is often ineffective in changing beliefs. So how are you going to achieve it with a 30 second commercial?

5. MINDS CAN LOSE FOCUS

In the old days, big brands were clearly perceived by their customers. The mind had a very clear picture of what its favourite brands were about. But then brands began to flood the market with new product lines – instead of just beer, there was regular, light, draft, clear, cold-brewed and ice-brewed beers.

Loss of focus can easily occur through product line extension. To gain cost effectiveness and trade acceptance, companies will turn a highly focused brand into a fuzzy brand representing two or three or more types of products or ideas. In this environment, the specialist, or the well-focused competitor has a definite advantage.

The specialist can focus on just one product, one benefit, and one message. Marketing can put a sharp point on the message that drives it into the mind. The secret weapon of the specialist is to be perceived as the best, the expert.

Making the brand name a generic is the ultimate weapon in the marketing wars. Xerox became a generic word for photocopying, FedEx for overnight delivery, Scotch tape for sticky tape. Only a specialist can become a generic in its category. A generalist can’t become a generic.

DIFFERENTIATE OR DIE

The 1990s saw a wide-scale assault on the concept of quality. The result was a mind-numbing labyrinth of acronyms – TQM, SPC, QFD, CQL - and a stream of books on how to define, predict and ensure the elusive quality.

These days the number of books have halved, and quality improvements are all around us – cars are better made, small appliances last longer, computers come with instruction manuals you can actually read. But these days a commitment to quality doesn’t make you different – it just keeps you in the race.

The same goes for customer satisfaction. The 90’s saw an outbreak of seminars, books, counselors and coaches telling us how to satisfy, love, understand, partner with and hang on to our customers. But once again these strategies became routine. Customer satisfaction has become a given. Like quality, it doesn’t make you stand out, it just keeps you in the game.

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“The bottom line – people tend to stick with what they’ve got. If you meet someone a little better than your wife or husband, it’s really not worth making the switch, what with attorneys’ fees and dividing up the house and kids.”

BE FIRST

Being first on the market with a new idea or product gives you a real edge. Minds don’t like change. If your product is the first of its kind, when your competitors copy you – and they will – all they will be doing is reinforcing your idea. It’s easier to get in first than it is to convince someone you have a better product than the one that was first.

Harvard was America’s first college and it still has a reputation for being the best. Time magazine still leads over Newsweek, Xerox is the leading copier, and Evian was the first mineral water. These companies get a special status because they were the first.

IF YOU’VE GOT IT, FLAUNT IT

One way to differentiate your product is to portray it as owning a specific attribute. For example, Marilyn Monroe was known for her pin-up good looks. Crest toothpaste took on cavity prevention as the attribute it would be known by. Other toothpastes avoided this quality and jumped on other attributes such as taste, whitening ability, breath protection and tartar control.

Being a leader in your field is another way to differentiate yourself from others. Humans tend to be impressed by “bigness” equating it with success, status and leadership. Powerful leaders can take ownership of a whole category – the way Xerox did with photocopiers and Coke did with Cola.

Don’t be afraid to brag – after all, if you’re the best, you’d better make sure everybody knows it. If you don’t, those who follow you will take the credit for your achievements. Leadership is a wonderful platform from which to tell the story of your success.

DIFFERENT FORMS OF LEADERSHIP

Here’s a quick sampling of different ways your company can claim leadership:

Sales Leadership
This is the often-used strategy of proclaiming how well your products sell. The Toyota Camry is America’s best selling car, Chrysler’s Dodge Caravan is the top-selling minivan and the Ford Explorer is the top sports utility vehicle. It works because people buy what others buy.

Technology Leadership
Even if you’re not the top-seller if your company has a long history of technical breakthroughs, you can use this as a differentiator. You can claim credit for pioneering breakthroughs in your field and become the world’s leader in your area of technology.

Performance Leadership
Your company may have a product that is not a big seller, but is a big performer. Silicon Graphics makes the visual workstations and high-powered broadband servers that create the best Hollywood special effects. This approach works because companies with money want the best.
**HISTORY SELLS**

If your company has a long history, be sure to trade on your heritage. Despite our cultural obsession with youth, customers like to deal with companies that have been around for a long time. It helps overcome insecurity and provides a link to the past.

Family businesses also have a sense of heritage, which can be a powerful concept in the minds of your customers. People feel more kindly towards family businesses than to faceless public corporations. Family businesses are believed to be more concerned with their product than their stock price. They also get more points for community involvement because they tend to be natives of the town where the company was founded.

But it’s not enough to rest on your heritage. The real trick is to blend consumer-comforting tradition with the progressiveness that is essential to continued success.

Bring heritage forward into the present and take your tradition to a new generation. Balancing the old and new is just one of the many balancing acts a successful marketer has to master.

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**THE MAGIC INGREDIENT**

The way a product is made can be its point of difference. Many products contain some technology or design – often patented – which makes them function. Yet many companies miss out on using this great opportunity for differentiation. It doesn’t matter if it’s too complex for the customers to understand – it’s a magic ingredient. Who knew what was so special about a Trinitron television or a Northstar navigation system? No one – it just sounded impressive, and it sold.

Making something the right way – instead of the cheap and efficient way – can be an effective differentiator. Making juice and sauces from fresh vegetables and fruit instead of concentrate is one example. It may be more efficient and less expensive to use concentrate, but the genuine article tastes better. Using a traditional or time-honoured recipe or method to make your product can also show your customers you’re a cut above the rest.

While its good to blow your own horn, its even better when someone else does it for you. Third-party credentials are powerful because people see them as unbiased and therefore true. Create a strong relationship with the press, especially consumer and trade journals in your field.

Remember – better products don’t win. Better perceptions win.

*“If you don’t have a point of difference, you’d better have a low price”*

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**KNOW YOUR ENEMY**

Start your strategic planning with your competition in mind. What are their strengths and weaknesses? Business is not about better people and better products. Business is war.

We all know that the best man or woman doesn’t always win. Superiority of force overcomes most quality differences. A good general never makes military strategy based on having better personnel, and nor should a business general.

Another common fallacy in the management world is the belief that the better product will win the marketing war. Some managers naively think that if they have the facts on their side, they only need to find a good advertising agency that can communicate the facts and sales team that can close the sale.

The single most wasteful thing you can do in marketing is try to change the human mind. Don’t be fooled into thinking that being presented with the truth will clear up your customers’ misconceptions. The only truth you can work with is the truth inside the mind of your prospect. You have to accept that truth and work with it.

Even if you manage to convince the prospect that you have a better product, they’ll soon be asking: “If you’re the best, why aren’t you the market leader like Microsoft? If you’re so smart, how come you’re not rich?” Marketing

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**HOW TO BE HOT**

When you’re hot, make sure everyone knows it! People may like the underdogs but they bet on the winners. People want what’s hot, and they find out what’s hot by asking other people. So make sure people are talking about how hot your products are and why.

**Sales**

The most popular approach is to compare your sales to the competition. Don’t think that you have to compare annual sales – you can use any time period; 6 months, 2 years, 5 years. The time you choose to compare is the one that makes you look best. You don’t just have to compare yourself to your competitors – you could also compare current and past performance for your own company.

**Industry Ratings**

Most industries have annual performance ratings. Some are administered by industry or consumer magazines, others are given by organisations like J.D. Powers and Standard & Poor’s. If you receive a rating like these, make sure you capitalise on it aggressively.

**Industry Experts**

In some industries, experts or critics are often quoted or write widely read columns or articles. Using quotes from these sources can be a way to define your success. This is often done in Hollywood to establish a hot movie, or in the publishing industry to mark a hot book.

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history – like military history - is written by the winners. Winners always have the best product, and they're not afraid to say so.

THE GLOBAL MARKETPLACE

As we entered the new millennium, more than 50% of the world's largest economies were not countries, but corporations. Now marketing skirmishes are breaking out all over the globe. Everyone wants everyone's business, everywhere. Marketing wars have entered the truly global marketplace.

You must learn to deal with your competition – how to avoid their strengths and exploit their weaknesses. It's not about do or die for your company – it's about making the other guy die for his.

Marketing people have warned management for years to be customer rather than production oriented. King customer has reigned supreme over the marketing world. But now that reign could be over. Today every company is customer oriented. Knowing what your customer wants is not much use if a dozen competitors are already serving them. General Motors' problem isn't the customer – it's Ford, Chrysler and imported vehicles.

To beat the competition, a company must become competitor-oriented. It must look for weak points in the position of its opponents and launch attacks against those points. Companies will have to learn how to attack and outflank their competitors, and to defend their positions. They will have to become skilled in guerrilla marketing warfare.

THE STRATEGIC SQUARE

1. Defensive Warfare

Defensive warfare is the province of the market leader. The most aggressive leaders are willing to attack themselves with new ideas. Gillette replaces its existing blade every two to three years. We have had twin-blade razors, shock-absorbing razors and now triple-bladed razors. When Bic launched the disposable razor, Gillette countered immediately with its twin-bladed disposable. It now leads in this category.

2. Offensive Warfare

Offensive warfare is the strategy for the number two or three business in a category. You need to avoid the leader's strength. Find a point of weakness and focus all your efforts at that point. One way to attack a leader is with new-generation technology. This strategy works because it makes your competition obsolete.

3. Flanking Warfare

New or smaller players trying to get a foothold should avoid the main battle and pursue flanking warfare. The strategy usually involves a surprise move into an unexpected area. It may be a “new” idea such as gourmet popcorn or Dijon mustard.

Michael Dell outflanked the computer industry when he began his company. He knew he couldn't compete with established companies for floor space in stores. But every company in the industry was convinced that customers wouldn't trust a mail-order company to supply such a high-end item. Dell broke the rule and used direct marketing to build a US$800 million company in 5 years.

4. Guerrilla Warfare

Guerrilla warfare is often the preserve of smaller companies. First, you must find an area small enough to defend. Be a big fish in a small pond. But be aware – you have to be prepared to bug out at any moment. Small companies can't take big losses. Melt into the jungle and you will live to fight another day.

Smaller jungle fighters should be aware of the fact that the jungle can become overpopulated. If you have too many guerrillas in a small market you will end up killing each other like piranhas in a tank.

“Know your competition. Avoid their strength. Exploit their weakness.”

SPECIALISE TO SUCCEED

Whether your company is big or small, your chosen strategy should revolve around your core competency. People tend to be impressed with those who focus on a specific activity or product. They are seen as experts in the field and may be given more credit than their experience or knowledge merit. Generalists, on the other hand, are rarely given credit for their expertise in a number of areas.

Specialists are winners in the marketing war. In the retail field, the big successes tend to be specialists like Toys “R” Us, Officeworks, Blockbuster Video and Foot Locker.

IS BIGGER BETTER?

We have all watched the desire to grow in action as
company after company decided bigger was better. But increasing size brings its own problems. It’s harder to manage. Focus is lost. Everything becomes a numbers game. Most bad marketing is driven by the desire for growth – which is driven by the stock market, and driven by greed.

The counter to this is specialisation. It’s an effective way to compete with larger, unfocused companies who try to do everything. Customers don’t believe that a company can be good at everything. As the global marketplace heats up, there will be big global brands that will succeed and highly specialised brands that do well in their part of the jungle. The companies who get in trouble will be those in the middle – too small to compete globally, and too inflexible to compete with the smaller specialists.

A successful specialist has to stay specialised. You can’t begin to chase other business or you will erode your prospects’ perceptions about your expertise. Don’t go the same way as one-time specialists like Volkswagen and Scott tissues. These companies, flushed with success in their primary industry, branched out into a raft of different products and areas. They paid for this mistake with their market leading position.

“It is better to be exceptional at one thing, than good at many things.”

STRATEGY IS ALL ABOUT SIMPLICITY

“Management is a curious phenomenon. It is generously paid, enormously influential and significantly devoid of common sense.”

There are many parallels between war and business. The terrain is the marketplace, the enemy is the competition, the objective is the consumer’s mind. The gathering of intelligence is called research. The weapons are the media.

In our interconnected society, the problem is not lack of information – its oversaturation with raw data. In our world, information is not power. Simplicity is power. A flood of data should never be allowed to wash away common sense.

THE POWER OF WORDS

A company can become incredibly successful if it can find a way to own a word in the mind of consumers. It shouldn’t be a complicated word, or a made-up word. A simple word straight from the dictionary is best. The most effective words are simple and describe a benefit. Papa John’s Pizza successfully used two words – Better Ingredients. Prego, a spaghetti sauce manufacturer used just one word – Thicker. The most successful brands are the ones that own a word in the mind of a prospect.

Beware of focus groups. They are one of the most popular and misused research tools in business. They can be very unreliable predictors of behaviour because people will tell you what they think you want to hear, not what they really think.

A big packaged-goods company planned to introduce a squintable soft-drink concentrate for children. In the focus groups, kids dutifully squirted the products neatly into cups. But when they got home, few could resist the temptation to decorate the walls and floor with the colourful liquid. After an outcry from parents, the product was withdrawn.

“Big strategic ideas almost always come in small words.”

LEADERS ARE GOOD GENERALS

If you are at war, you have to adopt the strategies of good generals.

• You must be flexible.
You must be flexible enough to adapt the strategy to the situation. A good general will consider all alternatives and points of view before making a decision.

• You need mental courage.
At some point you need to close your open mind and make a decision. A good general reaches deep inside to find the strength of character and the courage to prevail.

• You must be bold.
You must strike quickly and decisively when the time is right. When the tide is running with you, bring on the boldness. Beware of those who exhibit too much courage when the deck is stacked against them.

• You must know the facts.
Strategy must be built from the ground up. To do that you need to know what’s happening on the ground. If you start from a strong reality based foundation, your strategy will be simple and powerful.

• You need to be lucky.
Luck can play a large part in your success provided you know how to exploit it. And when your luck runs out, be prepared to cut your losses.

LEADING THE CHARGE

The role of the CEO is to lead the charge. Strategy, vision and mission statements depend on the simple premise that you have to know where you’re going. No one can follow you if you don’t know where you’re going.

You need to know what’s really going on. You can do this by going in disguise or poking around unnoticed. Your sales force are a critical element in the equation. They can be a prime source of on-the-ground intelligence. The best thing you can do is to praise honest information. If the
word gets around that the CEO prizes honest and realistic feedback, a lot of good information will be forthcoming. Direction is no longer enough. Today's leaders must be storytellers, cheerleaders and facilitators. They must reinforce their vision with words and action. The best leaders live the business and come to personify it. Bill Gates personifies Microsoft – he even looks like a computer nerd.

A visible leader is a powerful weapon. Such a leader offers unique credentials for your company. People are proud to follow these leaders. They are trusted. Without trust, you won't have any followers. Without followers, you won't have a charge to lead.

Success or failure in strategy is all about perceptual problems and opportunities in the market. The mind of the customer is where you win or lose. Quality of leadership can trump quantity of resources. Strategy is all about leadership.

“Capitulation is not a disgrace. A general can no more entertain the idea of fighting to the last man than a good chess player would play an obviously lost game.”

REALITY BITES

In the past decade we have watched as some of America’s corporate icons went from superstar status to skid row. Companies like Polaroid, AT&T, Xerox, Levi’s and Enron were among the high-profile casualties. They were rich companies loaded with talent, surrounded by the best consultants and courted by Wall Street. The strategic lesson they learned the hard way was this: they all lost touch with the reality of the marketplace.

The unbridled desire for growth is the culprit behind many impossible goals. CEOs pursue growth to ensure their tenure, increase their income and satisfy the stock market’s insatiable desire for growth and profits. People do damaging things to force unnecessary growth, which can permanently undermine the brand. In and of itself, growth is not a worthwhile goal. Growth is the by-product of doing things right.

THE MAGIC 15 PERCENT AND OTHER IMPOSSIBLE GOALS

“Goals are like dreams. Wake up and face reality.”

One of the most common goals among medium to large companies is to achieve earnings per share growth of 15% per year. With growth like that, a company will double its earnings in five years and become the darling of Wall Street. The reality is that only 20% of companies achieve this kind of growth and the same percentage of companies were in negative growth. There are big winners and big losers.

Goals foul up marketing plans. They introduce unreality into the marketing process. Goals are usually a meticulous outline of where managers want their company to be in 5 or 10 years time. These managers are usually trying to force something to happen. They usually chase existing markets and are likely to miss new opportunities. They are internally rather than externally oriented.

Goal setting tends to communicate an unwillingness to tolerate failure. People are likely to stop doing the right things in order to meet those unrealistic numbers. Goal setting creates a certain amount of inflexibility. If you’re focused on a goal, you might miss opportunities that present themselves when you take a different tack.

ONTTO THE BATTLEFIELD

CEOs can’t keep pace with everything but the one thing they can stay focused on is the reality of the marketplace. Be aware of the business environment, the positions of your enemies and their strengths and weaknesses. Have a clear vision of where you are going and be sure you have clearly communicated it to your troops. Become skilled in the four types of marketing warfare – defensive, offensive, flanking and guerrilla warfare. Then, when you step onto the corporate battlefield you will be equipped to win the battle – and the war.