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THE ESSENTIAL ADVANTAGE

How to Win With a Capabilities-Driven Strategy

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The Web site for this book is at www.theessentialadvantage.com.

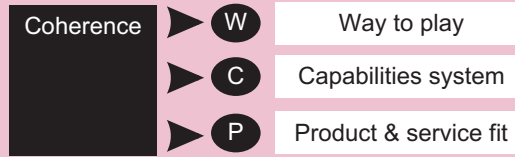
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MAIN IDEA

Everyone in business tries to earn and then sustain an essential advantage – to be doing things their competitors can't match. The companies which succeed in doing this over the long haul are always “coherent”:

- They focus on products and services which work for them and have products and services which draw on their capabilities.
- They continually and deliberately reinvest in deepening those capabilities so their competitors never catch up.
- They're very resolute and clear-minded about the game they have chosen to play and their resulting market positioning.



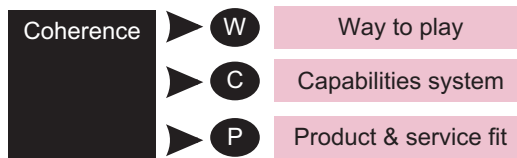
Accordingly, to get ahead and stay ahead, work on being thoroughly and consistently 100% coherent:

- Pick an approach to the marketplace – a way to play – which suits your unique capabilities and which competitors can't match.
- Define the three to six capabilities which will drive your business and become world-class in those specific areas.
- Create a product and service portfolio which harnesses those capabilities so you can earn superior returns.

1. The logic of capabilities-driven strategy. Page 2

To progressively and steadily increase your coherence levels, you need to be making pragmatic choices. A capabilities-driven strategy means you make changes to each of the three strategic elements in light of the others rather than in isolation. You identify what you do best and the opportunities for meeting the market effectively and you then develop the capabilities which will allow you to bring both these elements together in a coherent, systematic fashion.

2. Using the three components as variables in strategic choices Pages 3 - 5



If you're not careful, you might end up choosing a way to play based on the projected size of the market you're after, a capabilities system based predominantly on what you already have in place and products and services around the criteria of doing whatever is profitable. That's getting things backwards. Capabilities-driven strategy doesn't work that way and nor should you. Your company needs to be disciplined enough to focus intensely on what you do best.

3. Ways companies can create value coherently Pages 6 - 7

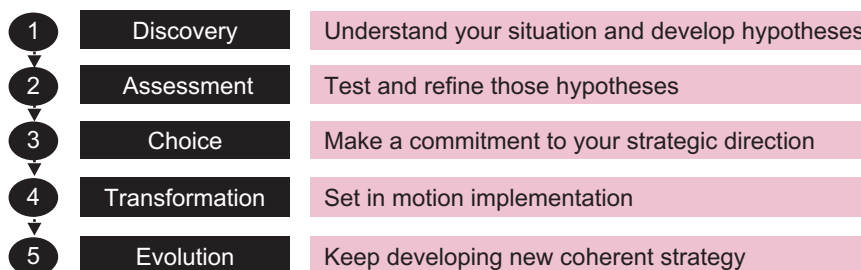
There are three specific ways companies can grow coherently:



Depending on how you manage them, all of these approaches can either reinforce or undermine your efforts to be more coherent. If you're smart, you'll use growth initiatives as genuine opportunities to increase your coherence levels.

4. How to live coherence every day Pages 7 - 8

The roadmap to embedding capabilities-driven strategy inside your organization – the journey as it were towards essential advantage and coherence - has five steps:



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