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DOMINATE OR LEAVE

“Uh-oh,” I thought, “this is not good.”

I was getting my first peek at the strategic plan of a chemical products and services company whose financials had been flat for the past four years. The company intended to enter just about every market and niche imaginable. Business after business, region after region, demographic after demographic, product line after product line—all were targeted, with specific goals, action plans, and marketing initiatives. It looked terribly impressive, but I knew that this plan would only aggravate the company’s problems.

To break from the pack, you must dominate some significant area of the market. In advising military brass on how to win in warfare, Colin Powell says, “Choose your battles *very selectively*, then go in with *overwhelming force*.” Leaders of successful organizations, whether military or corporate, know that the key to achieving victory is to narrow their scope of activities, attention, and priorities to the point that they can muster the critical mass they need to achieve true market leadership.

In today’s Copycat Economy, you can’t be great in *many* businesses, you can’t be curious, cool and crazy in *many* businesses, and

it's a fool's gambit even to try. You must choose your markets, your products, and your customers very carefully, then go in with tremendous creative and productive force until you dominate the arenas you've selected. The implications are twofold: One, don't enter any space you're not prepared to dominate. Two, once you figure out what you will dominate, exit everything else. Period.

I could end the chapter right now, but I know that this principle will strike many readers as so bizarre that we must start at the beginning with some basic fundamentals. First, it's important to remember that domination is not necessarily about being the biggest. Whopping balance sheets, stout sales figures, fat market shares, and big newspaper headlines are no indication that a company has taken command of its market, as executives of United Airlines, Kodak, and GM would ruefully admit.

On the other hand, you've probably never heard of Moldflow. But this small \$65 million global purveyor of computer-aided design and engineering software dominates in one critical manufacturing process: the simulation of plastics injection molding. Its domination is so impressive that over the past few years its real growth has ranged from 30 to 50 percent annually and its profit growth has hit the double-to-quadruple mark annually.

Neither is domination about beating up a rival. Does it really matter if during this quarter Ford's earnings are bigger than GM's, or American Airlines' income surpasses Delta's? All four companies are in deep trouble. In contrast, while Moldflow tracks the movements of its rivals, it has no interest or expectation of demolishing them. Instead, as marketing manager Peter Ruzinski explains, the company's primary goal is to "be anywhere injection molding is done on earth."

So if a company doesn't automatically dominate by outweighing the competition, or by crushing it, then what are its benchmarks of success? Commenting about Apple, the *Wall Street Journal's* technology guru Walter Mossberg gives us some clues that point in the right direction: "The Mac's impact on the industry is vastly greater than its market share. Apple is the most innovative major computer maker... Almost everything it does is later copied by the Windows PC makers..."

Ah, there's the first clue. Dominant companies can be big or small, but what's important is that, like Apple and Moldflow, they have a market impact that is greater than their size or the number of units they sell. They are lauded as "the" innovative players who set the agenda for

their industry. They demonstrate consistently visible forward momentum, they are recognized for excellence in execution, and they often have a reputation for cool. The ultimate indicators are their ultimate results: Dominant companies are the most likely to generate consistently impressive financial returns (especially profitability) and organic growth rates. They also are a magnet for the best and brightest talent.

Apple has dominated the space of design and “high” technology in its computer products, even though the company is much smaller than rivals like Dell and Sony. Over the past few years, Apple has carefully applied this expertise to thoroughly dominate the world of online music and portable MP3 audio and video players. This dominance has translated into extraordinary revenue and growth, as noted in Chapter 3, the company’s revenue and profit growth has been extraordinary.

One more thing to keep in mind: Dominance is not limited to one player. In the PC business, Apple might dominate design, but Dell dominates manufacturing and distribution efficiencies. There’s theoretically no limit to the number of dominant players in any industry, as long as they choose different spaces to lead and those spaces matter to customers.

One Size Doesn’t Fit All: The Peril of Offering the All-Inclusive Menu

If there’s one phrase I would eliminate from corporate strategy sessions, it’s “one-stop shopping.” This phrase is diabolical, for it can make otherwise sensible executives salivate with infantile glee. Their eyes glaze as they visualize hordes of customers spending gobs of money and never leaving for another competitor because the company magically provides them with an all-inclusive, integrated, A-to-Z menu of products and services that they absolutely must have, forever.

This vision is a destructive fantasy that demolishes any possibility of dominance. For one thing, customers will simply not comply with it. As one of my clients told me, “Just because I keep a couple checking and money market accounts for quick liquidity at Bank X, why would Bank X assume that I’ll let them finance my home and manage my retirement portfolio?” When Phil Condit headed Boeing, he stated flatly, “We don’t buy engines, auxiliary power units, and avionics on one purchase order, and we don’t expect to in the future.”

Instead, the company continues to scan the global marketplace for the suppliers that can provide the best price-value mix in each product line, and then buys accordingly.

The pre-2005 AT&T learned this lesson the hard way prior to its purchase by SBC. During its 1980s and 1990s debacles, AT&T's strategic premise was that customers wanted to buy all their telecom services (long distance, Internet, cable TV, web TV, cellular, and so on) from one provider. Trying to make this all-things-to-all-customers menu-building possible and scalable, AT&T binged on massive, debt-ridden acquisitions.

Unfortunately for AT&T, those darn customers didn't cooperate with the plan. Like intransigent children, individual customers insisted on picking and choosing different services from different providers, depending on where they'd get optimal value. Corporate customers became increasingly wary of tying their fortunes solely to one provider; they, too, chose AT&T for one or two things and found better alternatives for the remainder elsewhere.

To challenge the famous *Field of Dreams* dictum, if you keep on building it, they probably won't come. And then you're stuck with a big stadium.

Apart from those darn customers who insist on making their own decisions, there's another reason why "one-stop-shopping" is a fantasy. No matter what your consultants and investment bankers tell you, you can't be great in everything, you can't do it all, and if you try to do it all you'll wind up with a big diversified menu of undistinguished "me-too" products and services. Further, the wider the net you try to cast, the more cumbersome, costly, and complicated your organization will be, and the more your company's resources, management attention, creative capacity, and customer care will be spread thin.¹

Forget trying to be all things to all people. Resist the temptation to acquire and diversify for the purpose of being in as many segments and sectors of the marketplace as you can. These are losers' strategies because companies that declare they intend to dominate everything wind up dominating nothing. From 2000 to 2005, CEO Carly Fiorina put HP into every conceivable sector of consumer-electronics products, high-technology products, and IT services, and to her last day she insisted that the company would dominate them all. Yet after years of acquisitions and every possible organizational gyration, HP dominated only printers and imaging, the same arenas that the company ruled before Fiorina took over. Despite all the bravado and