

THE FOUR COMPETITIVE BUSINESS DRIVERS:

**THEORY + MODEL +
STRATEGY + TACTICS**



**Jorge Sá
Magda Pereira**

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Sometimes management books achieve a clear-cut distinction between **strategy** and **tactics**. Seldom they include the **business model** as a *third* competitiveness driver.

And never so far, has the **theory of business** been considered as a *fourth* required performance vector, **different from all other three**.

However, **organizational optimization** requires all **four**: the **why**, **where**, **what** and **how**.

The **theory of business** (Drucker) is the **why** the company makes sense. The reality assumptions the organization is grounded upon. What it is paid for.

The **business model** (Porter) is the **what**: the basic pillars of a firm's organization. How it transforms client satisfaction into value for itself.

Strategy (Joffre) is the **where**: the choice of 1) geographical areas; 2) industries; and 3) (within them of) segments.

And **tactics** is the **how**, respecting to the nine functional areas from marketing (Kotler) to human resources; to...: how to advertise; how to motivate; how...

Four inferences follow:

- 1 - All four drivers are *necessary* conditions, none sufficient;
- 2 - They *interrelate*, some impacting on others;
- 3 - They must fit *reinforcing* each other; and
- 4 - They should be periodically *reviewed* (under a sequence of steps).

This is illustrated by the book's **detailed examples** of e.g. Nike, Dollar Shave Club, Spotify, SpaceX, Vendôme, Sears, IBM, Apple Music, McDonald's, Marks & Spencer, Canva, SolarCity, Farfetch, etc.

The **fundamental message** is that neglect of any of the **four drivers** brings **efficiency** (*doing things right – the Phronesis of Aristotle*) at the cost of lower **effectiveness** (*doing the right things – the Chokhmah of Solomon*).

With more and more resources producing less and less, **underperformance will follow**.



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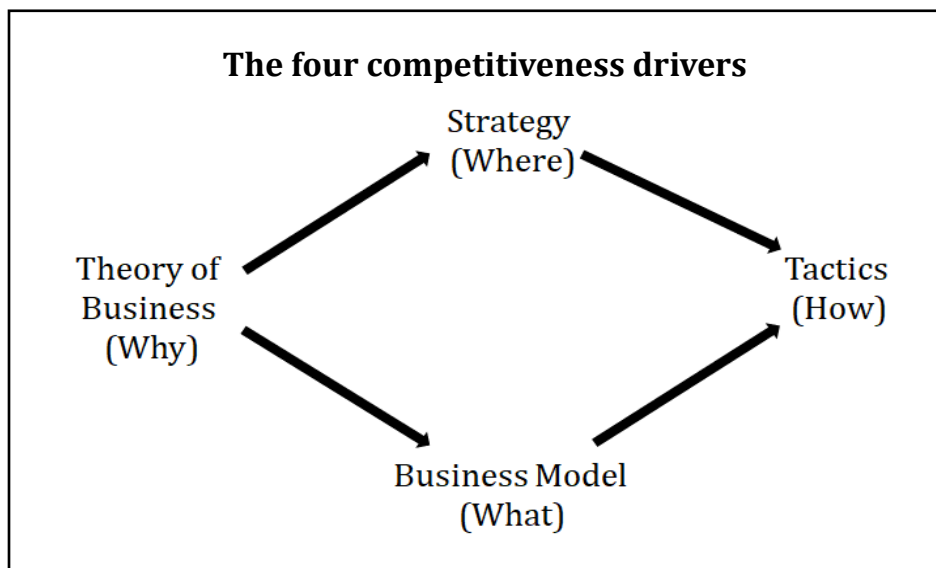
SYNOPSIS

Management books frequently make a clear-cut distinction between **strategy** and **tactics**.

Seldom, however, do they include the **business model** as a *third* competitiveness driver distinct from the former two.

And never so far, has the **theory of business** been considered as a *fourth* required performance vector, different from all the other three: indeed frequently it is blurred with the business model.

However, organizational optimization requires that all four interact as per the figure below, since they all are **necessary** conditions for organization optimization: the *why*, *where*, *what* and *how*.



The **theory of business** (first introduced by Peter Drucker in the nineties) is the *why* the company makes sense. The reality assumptions the organization is grounded upon. What it is paid for.

The **business model** (popularized by Michael Porter and others in the early 2000s) is the *what*: the basic pillars, the stepping stones of a firm's organization. How it transforms clients satisfaction into value for itself.

Then both the theory of business (*why*) and the business model (*what*) are distinct from **strategy**, which is (according to Joffre) the *where*: the choice of 1) geographical areas; 2) industries; and 3) (within them of) segments.

Finally, the fourth competitiveness driver is **tactics**, the *how* and which respects to the nine functional areas from marketing (as per Philip Kotler) to human resources to finance to... etc.: how to advertise; how to motivate; how to finance operations; how...

From the above model follows several inferences.

First, all four drivers are *necessary* conditions, none by itself is sufficient. That means that excellence is required in all for performance optimization and (at the very least) satisfactory execution for organization survival.

Second, they are *interrelated*, some impacting on the others.

Third (and consequently), they must make sense all together. Their mix must *reinforce* each other. Be compatible. There must be a fit.

Fourth, they should be periodically *reviewed*. Due to environmental changes (e.g. Sears Roebuck), benchmark innovations (Spotify versus Apple Music) or the business model slowly drifting away step by step (as in the case of Marks & Spencer).

And *finally*, there are a sequence of *steps* which – if followed – will simplify the revision of all four competitiveness drivers and how they best fit together.

That is what is illustrated by the book's **examples**, analyzed in great detail: e.g., Nike, Dollar Shave Club, SpaceX, Scholl, Gerber, Vendôme, Spotify, Sears Roebuck, IBM, ATT, Apple Music, McDonald's, Marks & Spencer, Canva, SolarCity, Tesla, Better Place, Gorillas, Getir, Farfetch. To name a few.

The **overall message** is that neglect of any of the four competitiveness drivers will mean ever greater *efficiency* (*doing things right – the Phronesis of Aristotle*), but ever lower *effectiveness* (*doing the right things – the Chokhmah of Solomon*).

With the consequence of underperformance. Because actions will be **off target**. More and more resources devoted to producing less and less.