5 Tools to Gain Competitive Advantage

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Preface

This eBook describes five tools available to managers that help them to gain a competitive advantage within their market sector. These tools will assist you in defining the best strategy to attain your desired business goal.

It describes the following tools:

- Porter's Four Corners Model
- Kay's Distinctive Capabilities Framework
- Ohmae's 3C Model
- VRIO Analysis
- Weisbord's Six-Box Model

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Introduction

This eBook describes five tools available to managers to help them gain a competitive advantage within their market sector. They are:

1. Porter's Four Corners Model

   Competition within a market usually relates to the potential rewards offered by participating in that market. So success requires you to be better than the competition. Porter's Four Corners model helps organizations to think about finding ways around the competition by predicting competitors actions. Armed with this knowledge your decisions can enable you to 'better' their planned actions gaining market share. The 'four corners' are - motivation drivers; motivation management assumptions; actions strategy and actions capabilities.

2. Kay's Distinctive Capabilities Framework

   Many market sectors have reached or are approaching market saturation and Kay's Distinctive Capabilities Framework is a perfect tool to help you develop your competitive advantage. This tool identifies capabilities that are unique to your business, which give you a competitive advantage over the rest of the market. While a distinctive capability is not, in and of itself, a competitive advantage, it offers the opportunity to differentiate a product or service in such a way as to create a competitive advantage.

3. Ohmae's 3C Model

   Kenichi Ohmae developed his '3C's Model' so that success over competitors could be achieved by focusing on three key components. According to Ohmae, the three key players in any business strategy are customer, competitors and corporation.

By bringing these together in a winning strategy your organization should find the 'best' market sector for success.

4. VRIO Analysis

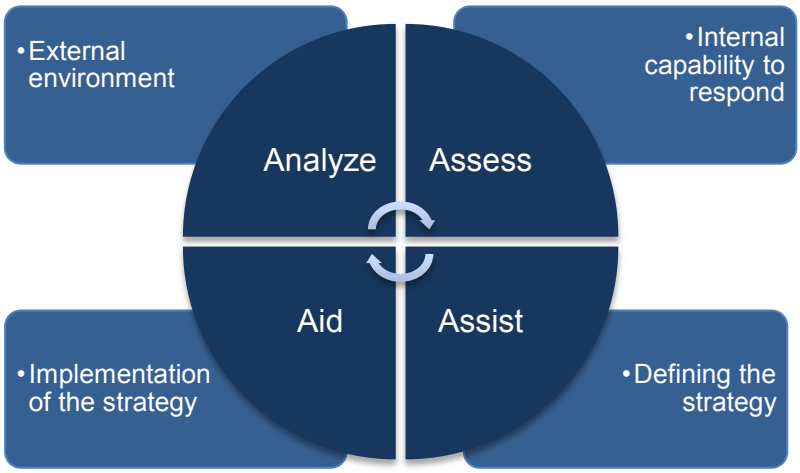
One of the best tools to help you analyze the strengths and weaknesses of your organization is VRIO analysis. This business analysis framework stands for the following – Value, Rarity, Imitability and Organization. Each of these four points helps you better understand the capabilities of your organization and how they can be used to compete in that market. By understanding your in house capabilities you are better placed to beat the tough competition you will encounter.

5. Weisbord's Six-Box Model

Developing a successful competitive strategy requires a clear understanding of the functional abilities of your organization. The Weisbord 'Six-Box' model was developed specifically to accurately assess the functioning of any type of organization. The six boxes its uses to perform this analysis are purposes, structure, relationships, rewards, leadership and finally helpful mechanisms.

Each helps management to align its activities, resources, relationships and processes in a way that ensures the organization benefits in terms of the advantage it gains over its competitors. These tools are the most commonly used amongst managers as part of their decision-making and strategy process.

Whether you work in a large multinational corporation or a small organization, a good understanding of how an organization's resources are processed to create its end products or services is critical in assessing how to attain and hold on to the competitive advantage it has within its business sector.



Typical scenarios where you could be asked to provide information and data include:

- Analyzing the organization's external environment.
- Assessing the organization's internal capabilities and how well it can respond to external forces.
- Assisting with the definition of the organization's strategy.
- Aiding in the implementation of the organization's strategy.

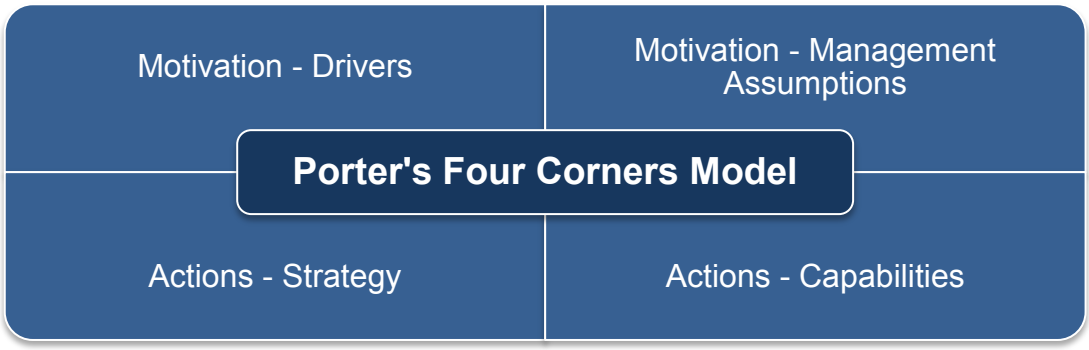
Being aware of the best tools, techniques and models enables you to take an active and productive role when providing such information.

Porter's Four Corners Model

Business would be relatively simple and straightforward if you didn't have to worry about your competition. Without competitors in your market, you could simply create products that customers would like to purchase, and that would be the end of it. You would have very little trouble making money, and your success over the short and long term would be all but assured.

Of course, it doesn't work that way in the real world. Every market has competition, with the level of competition usually correlating with the potential rewards in that market. In other words, markets that offer the opportunity to make millions of dollars will almost always have stiffer competition than smaller markets with smaller potential rewards.

So, if you would like to succeed with your business and continue to turn a profit year after year, you need to do one thing – beat the competition. How are you going to do that? Well, that's where it gets tricky. Naturally, your competitors are working just as hard as you to capture their own part of the market, so you need to find a way to get ahead wherever possible.



That's where Porter's Four Corners Model can come in handy. This model is a great way to think about finding ways around the competition to take the lead in the market.

Specifically, this model is all about predicting the actions that are going to be taken by your competition. If you can figure out what the competition is going to do before they actually do it, you will stand a much better chance of coming out on top in the end.

Each of the 'four corners' included in this model are described below.

Motivation – Drivers

Understanding the goals of your competition is one of the first steps in the process of figuring out exactly what it is they are going to do next. Where are they trying to get in the market, and where are they currently? Their current position in the market plays a huge role in how they are likely to respond to perceived threats and opportunities.

> *A market leader is usually going to work hard to defend their position, only responding to threats from 'lesser' competitors when absolutely necessary.*

On the other hand, a business that is near the bottom of the market is more likely to go on the attack at any opportunity, working hard to claim their own piece of the pie.

By knowing what it is that drives your competition on a day in and day out basis, you should be able to ascertain how they are likely to respond to market pressures.

Motivation – Management Assumptions

How does the competitor perceive itself within the market? This can be a tricky point to figure out, but it is an important one to consider in the grand scheme of this model.

> *Does this competitor think that they are already at the top of the market?* Or
> *Do they view you and other businesses as worthy adversaries?*

Think about their past actions to determine how they are likely planning to move forward with their operations.

A company that feels threatened by other market players is going to aggressively fight back when challenged, where a business who perceives themselves to be in or near the lead will stay the course without much of a response.

Actions – Strategy

At this point, you are going to look at what the competition is actually doing currently in the market. You don't have to do any guesswork on this part of the model, because the proof will be right there in front of you for everyone to see.

> *Are they bringing a number of new products and/or services to the market?*

Are they sticking with the same products that have taken them this far?

What about prices – are they remaining static, or increasing gradually?

The actions that are taken by another company will often tell you all you need to know about their plans for the future.

It is also important to think about success at this point in time. If your competition is being successful with their current strategy, there is very little chance that they make any significant changes.

Rarely do businesses made dramatic changes to formulas that are producing great results. Only when a competitor is struggling to capture any of the market should you expect there to be dramatic changes forthcoming.

Actions – Capabilities

The final stop in the four corners model, this point is going to look at what your competition is capable of doing with regard to the products they take to market.

This isn't so much a prediction of what they are going to do, as it is a look at what they could do if necessary. What strengths to your competitors have in place? What are there weaknesses? Obviously, the nature of competition is

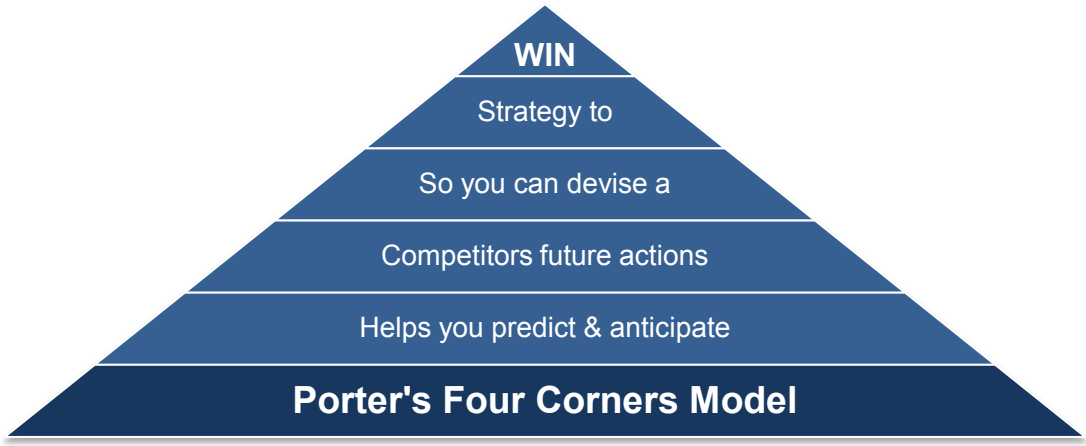
to attack the competition where they are weakest, so looking at things through this lens is a smart move.

By thinking about the strengths and weaknesses of the competition, you can get a great idea of where they are likely to turn when they need to respond to a challenge. For example,

> *One of your competitors is a big company with deep pockets, they may be willing to slash prices temporarily in order to win back some of the market, even if that takes a chunk out of their bottom line.*

> *A smaller company likely couldn't afford such a strategy, so it would need to compete in another way.*

You can never know the future with any degree of certainty, but Porter's Four Corners model is a great way to think about the likely future actions of your competition.



Once you have used this model to plot out the expected moves of your competitors, you can then think about how you should be behaving within the market in order to take up a position of strength. Responding to competition, and forcing the competition to respond to you, is what success in business is all about.

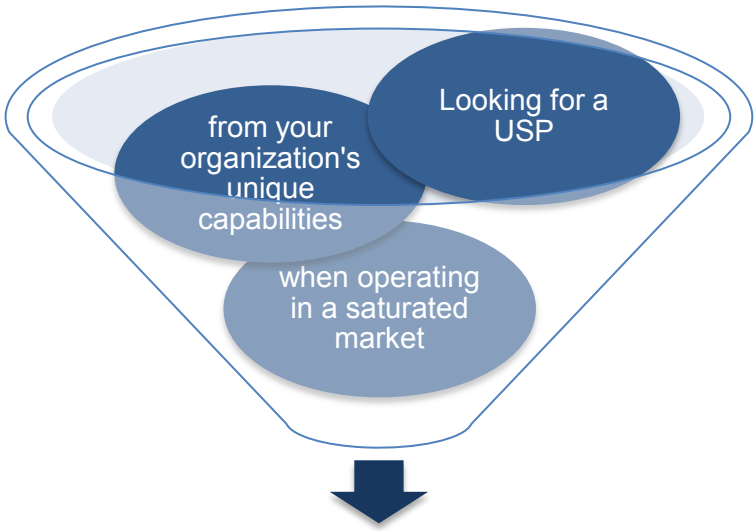
Key Points

- Porter's four corners model is a predictive tool that helps in determining a competitor's course of action. The four corners are:
- Motivation – Drivers: What is it that drives the competitor? These drivers can be at various levels and dimensions and can provide insights into future goals.
- Motivation – Management Assumptions: What are competitor's assumption about the industry, the competition and its own capabilities?
- Actions – Strategy: What is the competitor actually doing and how successful is it in implementing its current strategy?
- Actions – Capabilities: What are the strengths and weaknesses of the competitor?
- Unlike models that rely on a firm's current capabilities to determine future strategy, Porter's model additionally calls for an understanding of what motivates the competitor.
- This added dimension of understanding a competitor's internal culture, value system, mindset, and assumptions helps in determining a much more accurate and realistic reading of a competitor's possible reactions in a given situation.

Kay's Distinctive Capabilities Framework

You might find it hard to feel 'distinctive' in the business world. After all, there is an incredible amount of competition in nearly every market, and it seems that all of the good ideas have either been used already, or they have been copied as soon as they hit the market.

So how can you stand out and rise above the competition when there is so much market saturation already in place? Key's Distinctive Capabilities Framework is a great place to start when thinking about just such as problem.



Kay's Distinctive Capabilities Framework

Distinctive capabilities in this framework are exactly what you would think – they are capabilities that are unique to your business, which give you a competitive advantage over the rest of the market. All business owners and managers understand that they need a unique selling proposition, or USP, in order to make a dent in a competitive market.

However, that USP can be hard to find, unless you have the advantage of leveraging one or more distinctive capabilities that are held by your company. While a distinctive capability is not, in and of itself, a competitive advantage, it is what gives you the opportunity to create a competitive advantage that can be taken to market.

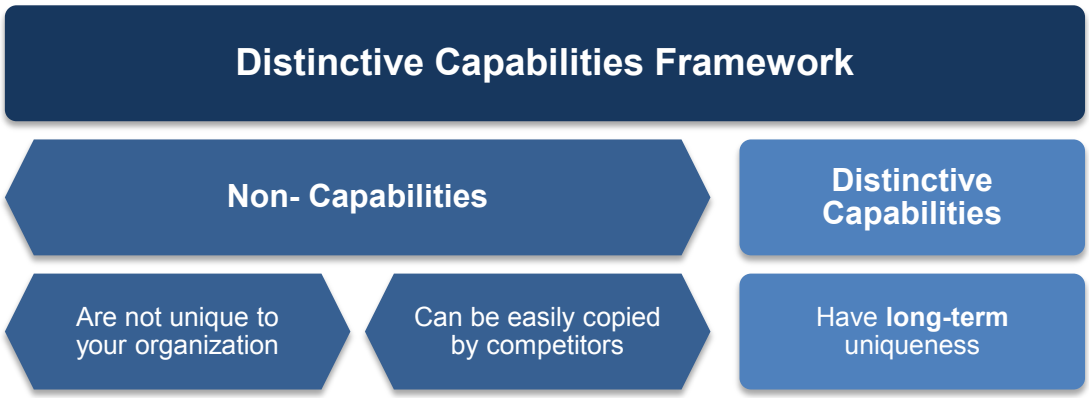
Think about distinctive capabilities in the same way you would think about talent for an individual – it is a differentiating factor, and it provides the opportunity to succeed down the road.

The Non-Capabilities

One of the most interesting parts of this framework is what it leaves out – in other words, the factors that are not seen as being distinctive capabilities. While you might think of some of the points below as being things that would fall into this category, the creator of the framework, John Kay, would not agree.

- Taking better products to market than the competition
- Selling products more efficiently
- Using better methods to produce, market, or sell products

These points are certainly cornerstones of running a good business, so why aren't they considered to be distinctive capabilities? Mostly, because they are not unique and will not be an advantage over other businesses in the long run. Kay considers these parts of business to be 'easy' – in other words, they can be copied quickly by the competition.



It's great to take a quality product to market, but shortly after you do so, the market is going to be filled with other, similar products. Distinctive

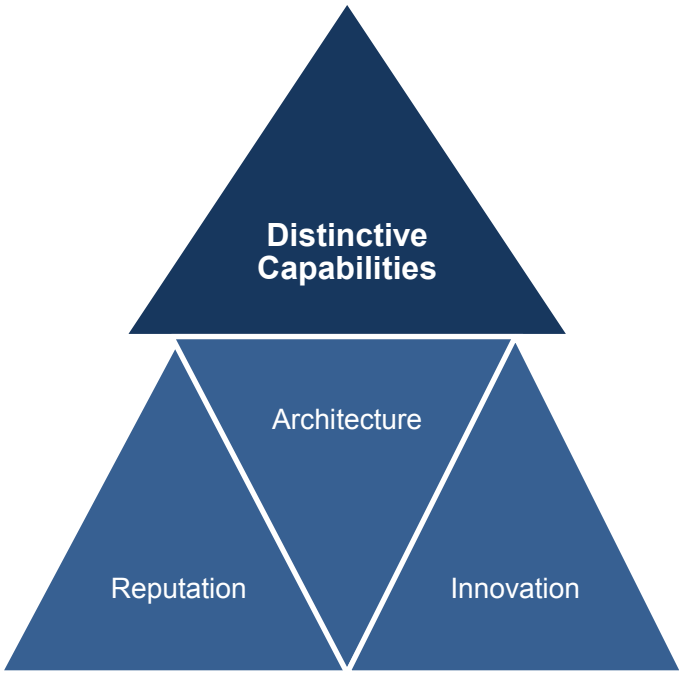
capabilities need to be, by definition, things that remain unique to the company over the long haul. Only then will they truly be advantages, and only then will they be able to lead the business to success.

Three Distinctive Capabilities

According to Kay, true distinctive capabilities fall into one of three categories. Those categories are listed below, along with a quick definition.

- **Reputation** - you probably already make many of your buying decisions on a day to day basis on the foundation of reputation, so there should be no doubt in your mind that this is a powerful distinctive capability.

  If you can build a brand reputation that evokes feelings of trust and confidence in the consumer, you have already won the battle. It is not easy to develop a positive reputation for your brand, but when you do, that reputation should be treated like gold because it is an incredibly valuable commodity.

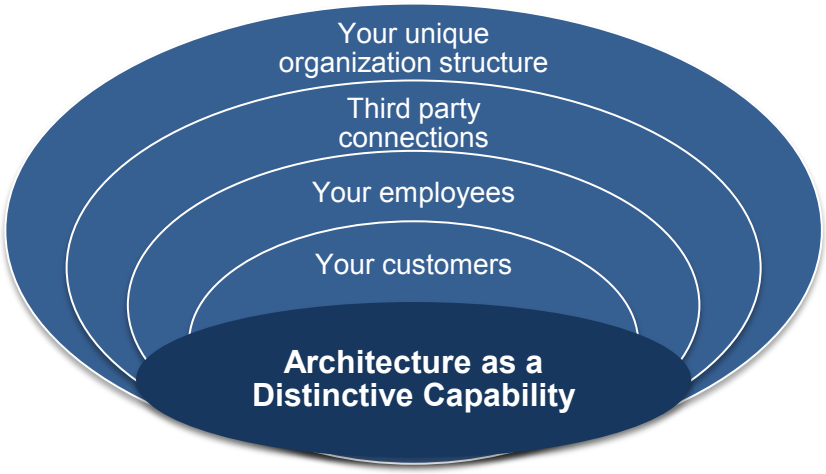


  A good reputation can rise above everything else to make the buying decision easy for the consumer. Rather than picking an item based on cost or marketing, the buyer may select your product on the strength of your reputation alone – which is a

unique competitive advantage that cannot be easily replicated by your competition.

Although they may be able to create a product that is similar, or even identical, to what you offer, the competition cannot take your brand name, and it is that brand that contains a great deal of your distinctive capability.

- **Architecture** - the structure of your business is unique, and can therefore become a distinctive capability when it is formed in such a way that it provides value to the business. The connections you have with suppliers, the people you have working for the company, the list of customers that you have accumulated to this point – all of those groups come together to form the architecture of your business.

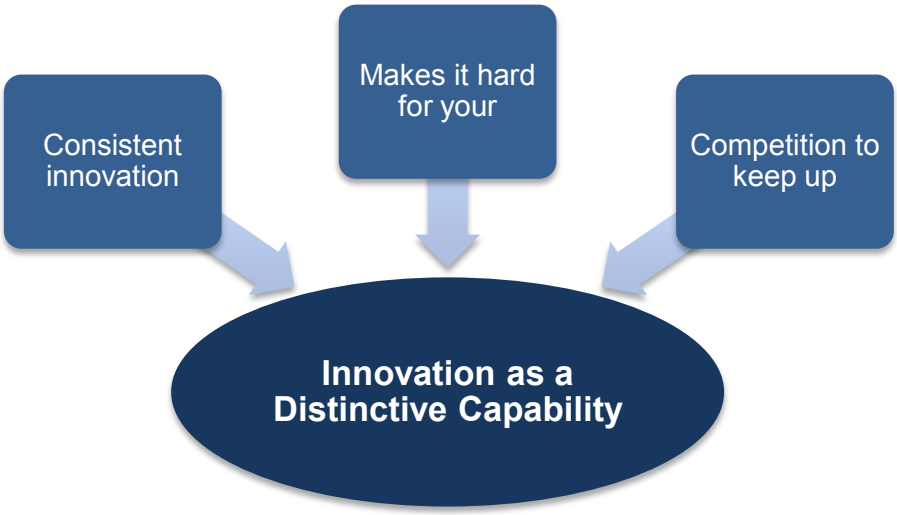


Sure, there is going to be some overlap with your competition on these points, specifically with regard to customers and suppliers, but the specific structure of your organization is still going to be unique. Taking the time to build this part of the business with great care could lead you to having a big competitive advantage in the marketplace.

- **Innovation** - it is often the most innovative companies who are proven to be the most successful in the long run. Why is that?

Because they can remain one or two steps ahead of the competition on an ongoing basis.

The products that they innovate may not remain unique for long, because there will always be competition doing what it can to copy the successful products that are on the market, but that is okay because an innovative company is always moving on to the next big thing. By consistently innovating with new products and ideas, you can leave your competition struggling to keep up.



Another benefit of innovating is building up your reputation as was mentioned in the first capability. When consumers realize that you are consistently innovating within your field, you may build up a degree of brand loyalty and trust that can carry you to a large market share. Even when other 'copycat' products hit the shelves, you may still come out on top because of your reputation as an innovator in the industry.

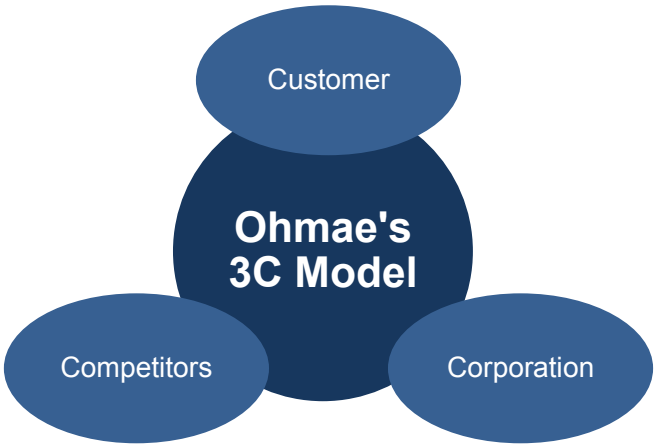
Using Kay's Distinctive Capabilities Framework will allow you to think about your business in a way that may be new and revealing. Work through the three capabilities that are defined in this framework to find where you might be able to stand out from the competition. The sooner you figure out what it is that makes your company unique from the rest of the field, the sooner you can exploit those differences to claim a bigger share of the market.

Key Points

- The Distinctive Capabilities Framework was developed by John Kay, economics professor at the London Business School and published in his book 'Foundations of Corporate Success.'
- Distinctive capabilities are those that are unique to your business, those that give you a competitive advantage over the rest of the market.
- In order to achieve success, a company should implement at least one of the three distinctive capabilities mentioned by Kay. The three capabilities are: reputation, architecture and innovation.
- The buyer may select your product on the strength of your reputation alone – which is a unique competitive advantage that cannot be easily replicated by your competition.
- Architecture is the connections you have with suppliers, the people you have working for the company, and the list of customers that you have accumulated.
- The most innovative companies are often the most successful in the long run because they can remain ahead of the competition on an ongoing basis.
- A company can use any or all of these distinctive capabilities to be consistently successful.

Ohmae's 3C Model

It is easy to overcomplicate things in business. If you are a business owner or manager, you know this fact all too well. With a whole world of potential customers to serve, and an endless stream of products and services, which you could offer to those customers, it is easy to get in 'over your head'. Rather than focusing on what it is that you do best, you might feel the pull of going in a number of different directions while hoping to hit it big.



Of course, as you probably know deep down, it is usually best to keep things as simple as possible. By using the 3C's Model presented by Kenichi Ohmae, you will have a great chance to keep things simple as you focus on just three key components that are sure to be critical to your success moving forward.

According to Ohmae, the three key players in any business strategy are the C's listed below –

- Customer
- Competitors
- Corporation

That's it. Of course, business in the real world feels far more complicated than that, but from a strategic standpoint, those are the players you need to be concerned with for the most part. If you can bring together those 3 C's

successfully in the strategy that you use for your organization, you should be able to find your way into the right part of the market.

In the content below, we will take a closer look at each of these three C's of business success.

The Customer

It all starts with the customer. This probably isn't a revolutionary thought to you, as most people who are in business understand that they need to take care of their customers first and foremost. However, you need to ask yourself, are you truly doing everything you can to please your customers above all else? It is easy to lose track of this goal while worrying about things like the bottom line and the satisfaction of your owners or shareholders.

Despite those potential distractions, it is critical that you manage to keep your customers front and center in everything that you do. To take this concept a step further, you can work on 'segmenting' your customers in order to break them down into like groups, which behave in a similar manner.

For instance, you can divide up your potential customers by how those customers are going to be using your product. No matter how you choose to segment the market for your analytical purposes, it is always important that

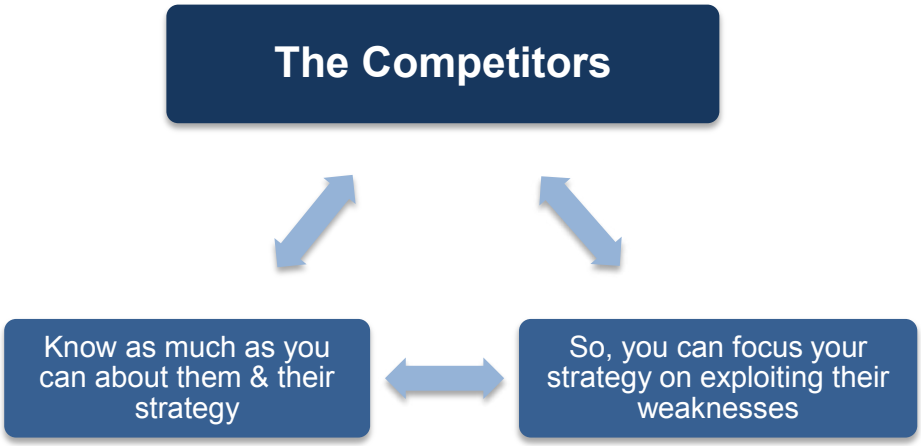
you precisely identify which parts of the market you are going to target with marketing efforts.

The Competitors

All businesses need to have a clear understanding of who the competition is, and what that competition is capable of doing.

> *Do you know where you stand in the market related to your competition?*
> *Is the competition trying to catch up to you, or vice versa?*

Finding weaknesses in your competition that can be exploited is at the heart of this form of business strategy. For instance, a smaller competitor might not be able to compete on cost with a bigger firm, so you might be able to wage a 'price war' in order to gain market share successfully against your smaller competition.



Of course, this is just one example, and there are nearly endless ways in which you can use the weaknesses of your competition to claim a bigger piece of the market for yourself.

A smart business will spend a considerable amount of time thinking about the competition that they face. There is really no such thing as a market without competition – and if one does exist, it will not exist for long. Of course, you don't have to drive your competition out of business in order to

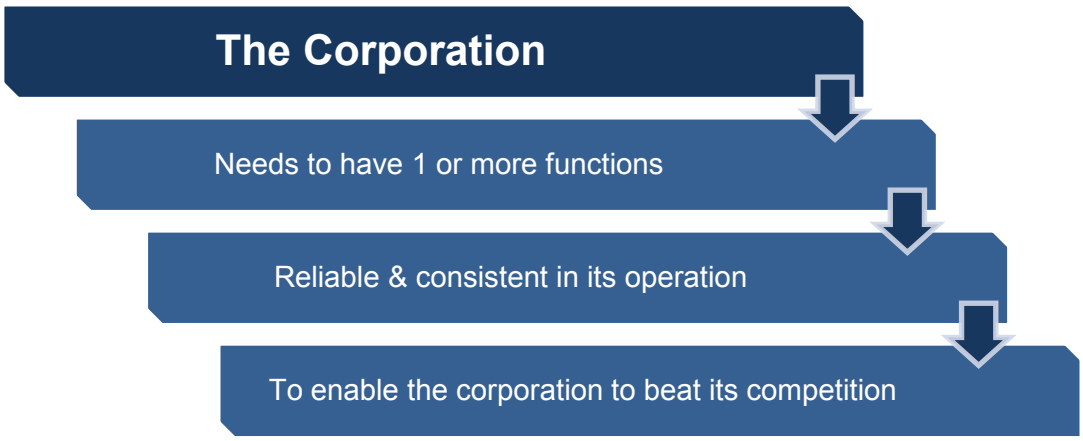
succeed you only have to take a big enough piece of the market to protect your bottom line.

The Corporation

The structure of the corporation (or business) as a whole is going to say a lot about operations and how they are run into the future. One of the key points that is made by Ohmae in this model is the fact that the corporation doesn't have to be excellent at all parts of the business – at least not at first.

As long as there is something about the company that allows it to rise above the competition successfully, the functions that might not be up to standard initially can gradually be improved over time.

One of the big choices that needs to be made within the corporation that will have a significant impact on the success of the business over the long run is the decision of whether to make things in-house or purchase them from suppliers.



The components that go into making a specific product need to be reliably sourced for a competitive price, but that sourcing can be brought within the company if the situation is suitable. Most of the time, the right plan will be a mix of buying and creating, based on the costs and availability of suppliers in the local area.

It is the companies who are able to make the right choices on these tough decisions that will usually rise to the top at the end of the day.

The 3C's provide a great framework within which you can think about your business. This isn't the most complex model for making strategic business decisions, but that is exactly the point – it doesn't have to be. When businesses set out to make good decisions that can take them into the future prosperously, there is a dangerous amount of information that can be used.

The overloading of information can lead to cloudy decisions and plenty of mistakes along the way. By boiling business down to these three basic C's – the customer, competitors, and corporation – you should be able to think clearly and make sound, logical strategic decisions on a consistent basis.

Key Points

- The 3C's Model developed by Kenichi Ohmae offers a strategic look at the factors needed for success. These are: the customer, the competitors, and the corporation.
- The primary goal should be the interest of the customer and not those of the shareholders because a company that is genuinely interested in its customers will automatically take care of shareholder interests.
- All businesses need to have a clear understanding of who the competition is, and what that competition is capable of doing.
- The corporation does not have to excel in every function to win. If it can gain a decisive edge in one key function, it will eventually be able to improve its other functions which are now average.
- Only by integrating these three, can a sustained competitive advantage exist.

VRIO Analysis

When you set out to analyze your business and its strengths and weaknesses, using VRIO analysis is one of the best tools for the job. This is a business analysis framework that is used by a wide range of organizations, and there is a good chance that you will find it beneficial for your business regardless of your specific sector or industry.

The title of this framework, VRIO, stands for the following –

- Value
- Rarity
- Imitability
- Organization

When used correctly, looking at these four points one at a time can have a powerful effect on how you understand your business. It is essential to be constantly evaluating the capabilities that your company has on hand, as it is those capabilities that you will use to compete out in the market.

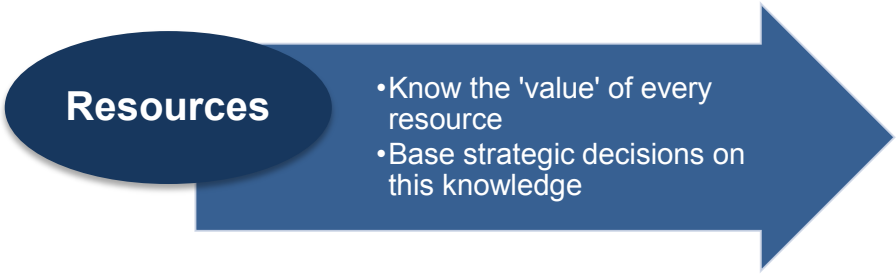
If you don't understand exactly what you have in house, there will be no way to win when you face the tough competition that you are sure to encounter.

To better understand how VRIO Analysis can help you as you are putting together a strategic plan for your company, we will walk through the four points one by one below.

Question of Value

When looking at a resource within your organization, one of the first things you should do is determine whether or not that potential resource actually has any value to the company as a whole.

So, if something within your company can help you to exploit a hole in the marketplace, it can usually be considered valuable. Or, on the other hand, if it can help you to hold off a threat that could potentially damage your operation, it can be valuable as well. However, if a resource does nothing to either help you take advantage of the market or mitigate a market threat, it should be considered a weakness.



Understanding the value (either positive or negative) of everything within your company is one of the keys to experiencing success in the long term. In many ways, this is like a manager knowing the strengths and weaknesses of each player on his or her team. Using players in the right way is how a team succeeds in a sport, and the story is the same in business.

By knowing what kind of value you can get from all resources on hand, you can move forward confident that you are making the right decisions.

Question of Rarity

Rarity can be hard to come by in business, but it is exceptionally valuable when it does exist within your company.

Do you hold something inside your organization that is rare in your field?

For rarity to actually take hold as an advantage that you possess over your competition, it needs to meet two specific qualifications – it needs to be hard to find, and it needs to last.

If something is short lived, or if it can be easily be obtained by other firms, then it is does not meet this definition of rarity. Once you successfully identify elements within your operation that meet the classification of rarity, you should then look for ways to take advantage of them in the market.

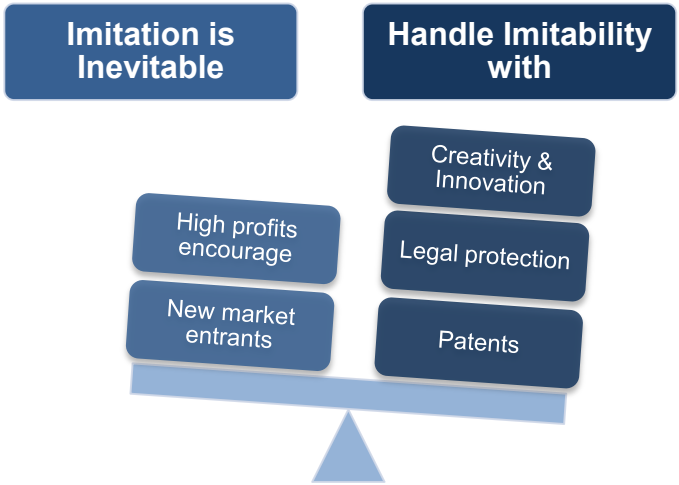
Having rare resources is only going to be beneficial to your bottom line if you put them to use effectively.

Question of Imitability

Imitation is everywhere in business. When a company sees that a competing company is having success with a given product, they will often quickly work toward imitating that product as closely as possible in order to enter the market as a direct competitor.

The second company to come to market will usually try to compete with a lower price, as the initial entry will already have brand recognition and some degree of loyalty. So, when it comes to the things you are doing in your business, how likely are they to be imitated? If they can be imitated relatively easily, what would be the cost of doing so? Thinking about these points will help you predict in advance exactly what the competition is going to do.

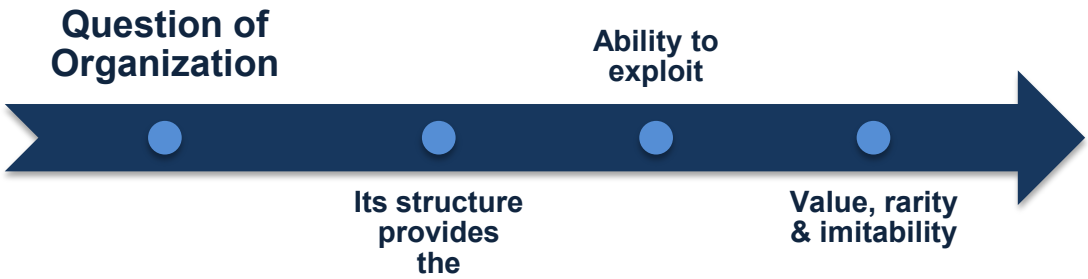
If you can protect your resources in the way of patents and other legal protections, you may be able to make it difficult for competition to imitate your products (although you likely won't be able to make it impossible).



There are usually ways around legal protections, especially for companies that are driven to take back as much market share from your business as possible. When something is relatively easy imitated, often the only way to stay ahead in the market is to constantly be innovating and taking your offerings to a new level that has not yet been copied.

Question of Organization

The last point on this list is the question of organization. This is where the company is structured in such a way that it is able to exploit any and all advantages that have been discovered within the first three points. As was mentioned above, and advantage is only useful if you are able to successfully leverage it into additional sales, market share, profits, etc.



So, at this stage of the VRIO Analysis process, you are going to think about how you can structure your organization in order to make sure that you give yourself the large competitive advantage possible. This can be termed as 'playing to your strengths'. By giving the business the opportunity to do what it does best as often as possible, you will be on the path toward a prosperous future.

Using VRIO Analysis is a great way to locate the advantages that your company may possess over the competition. You are likely going to find that you have some weaknesses in addition to your strengths, and that's okay. You want the truth when you work through this kind of analysis, as honest review of your company is the only way to build for the future.

Once you go down the list of the four points above for all of the resources you have on hand, you will have a great picture of where you stand today and what you can do to improve your standing going forward.

Key Points

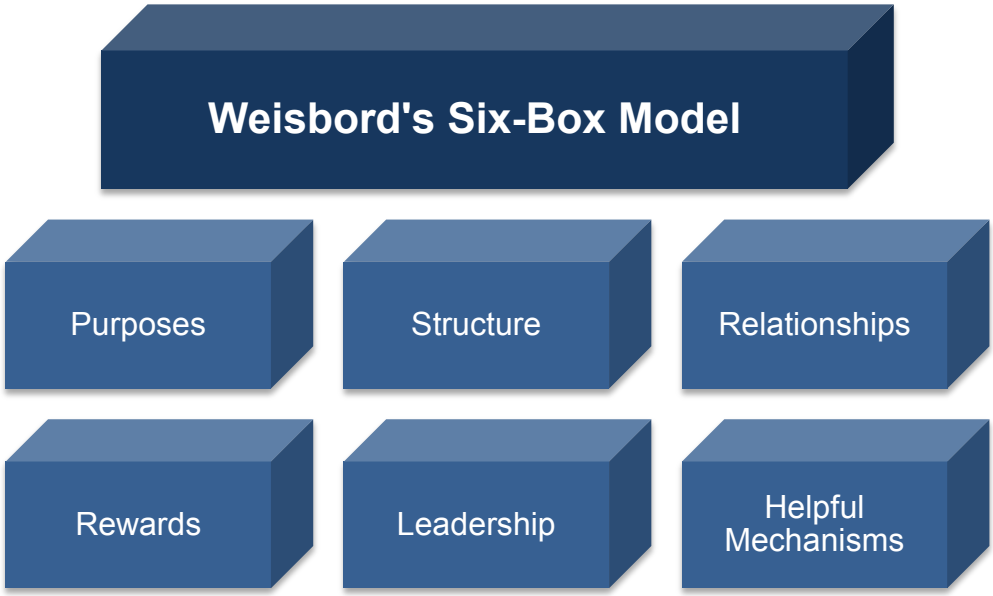
- The strategic process that any firm goes through begins with a vision statement, and continues on through objectives, internal and external analysis, strategic choices (both business-level and corporate-level), and strategic implementation.
- VRIO Analysis falls into the internal analysis step of these procedures, but is used as a framework in evaluating just about all resources and capabilities of a firm, regardless of what phase of the strategic model it falls under.
- The VRIO Analysis considers several evaluation dimensions for the organization as well as for its competitors: Value, Rarity, Imitability, and Organization.
- Value: 'Is the firm able to exploit an opportunity or neutralize an external threat with the resource/capability?'

Key Points cont.

- Rarity: 'Is control of the resource/capability in the hands of a relative few?'
- Imitability: 'Is it difficult to imitate, and will there be significant cost disadvantage to a firm trying to obtain, develop, or duplicate the resource/capability?'
- Organization: 'Is the firm organized, ready, and able to exploit the resource/capability?" "Is the firm organized to capture value?'
- Using VRIO Analysis is a great way to locate the advantages that your company may possess over the competition.

Weisbord's Six-Box Model

A framework developed by Marvin Weisbord, this model is one that can help you to accurately assess the functioning of your organization. One of the advantages of using this specific model is its ability to adapt to just about any business that you happen to be in.



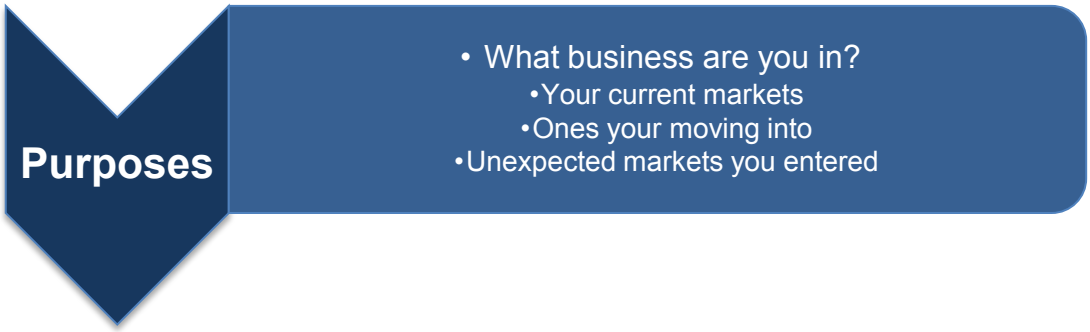
The model is meant for use 'across the board', so you should find it helpful regardless of your field. The six boxes that are alluded to in the title refer to the following –

- Purposes
- Structure
- Relationships
- Rewards
- Leadership
- Helpful Mechanisms

To allow you to gain a better understanding of this six-box model and how it can help you understand your organization, we have highlighted each of the six points below.

Purposes

This is a very general piece of the puzzle to get started, but it is an important one nonetheless. You need to understand very specifically what businesses you are in, and what businesses you want to be in moving forward.



While that might seem like a somewhat obvious point, it could be a little more complicated than you think once you get into it. For instance, if you have developed a customer base that is somewhat outside of the target market you initially laid out for your products; you might find that your company is competing in an arena that is slightly unexpected.

Business frequently takes unexpected turns, so stay on top of your organization by understanding exactly where you are competing and what it takes to win in those areas.

Structure

Moving on to the next point starts to get into the details of how your business operates and how it works on a daily basis. The structure of the organization will have a lot to say about what you are able to produce, and at what cost you are able to produce it.

> *Who is responsible for doing what within the company?*
> *How is the work that each person is doing going to contribute to the greater good of selling quality products for low prices to customers?*

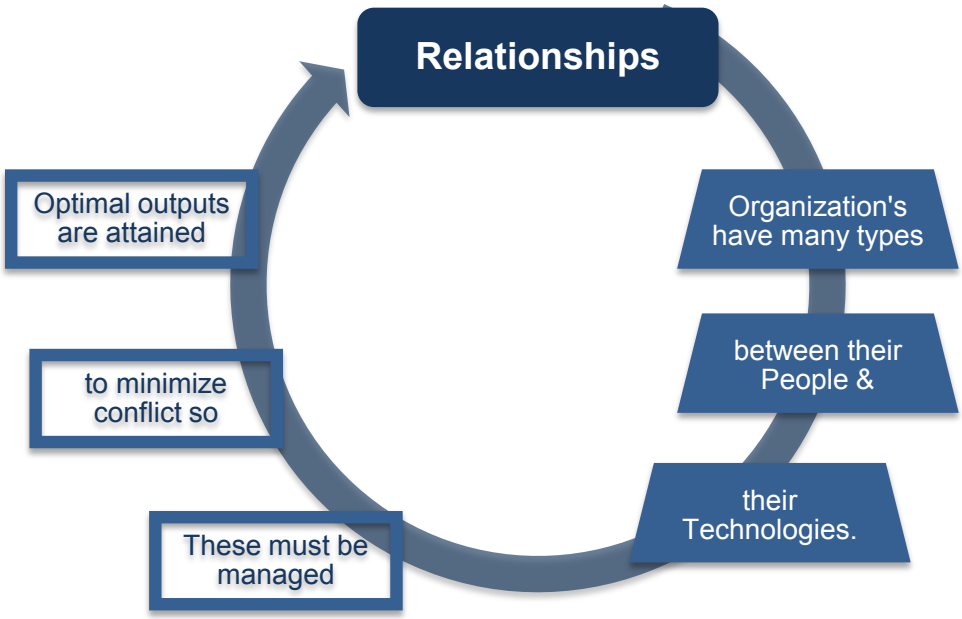
Structuring your business in a logical way based on the desired outputs you have in mind is one of the most important things you can do going forward.

Many businesses have been derailed by poor organization even if they have good products and innovative ideas.

The lesson is clear – don't take this point for granted. Work hard on your business structure and you will likely be rewarded for your efforts.

Relationships

Business is a never ending stream of relationships. There are the obvious relationships between people both within your organization and outside of it that need to be managed. Also, there are the relationships between your people and your technologies that need to be successfully managed in order to achieve optimal outputs.



When you have inevitable conflicts in some of these relationships – either between people, or between people and machines – you need to have a clear and concise plan for how those conflicts are going to be resolved. It

isn't a matter of completely avoid conflict, as conflict is going to happen one way or another, but it is more a matter of knowing how to handle it effectively when it arises.

Healthy relationships are required for business growth; so don't sit idle when there are connections that need to be mended.

Rewards

Most people function best when offered some form of reward for their efforts. Obviously, a pay check is a natural reward in a work setting, but you often need to go beyond just a salary in order to get the best from your people.

A Genuine Reward Structure

When you are asking your teams to work hard for the good of the organization as a whole, those people need to feel invested in some way in their work. If all of the profits and accolades are going to ownership and upper management, what motivation is there for the rest of the team to work hard day in and day out?

Creating a structure of worthy rewards is one of the most important things managers can do to develop a positive culture that runs from top to bottom in the business.

Leadership

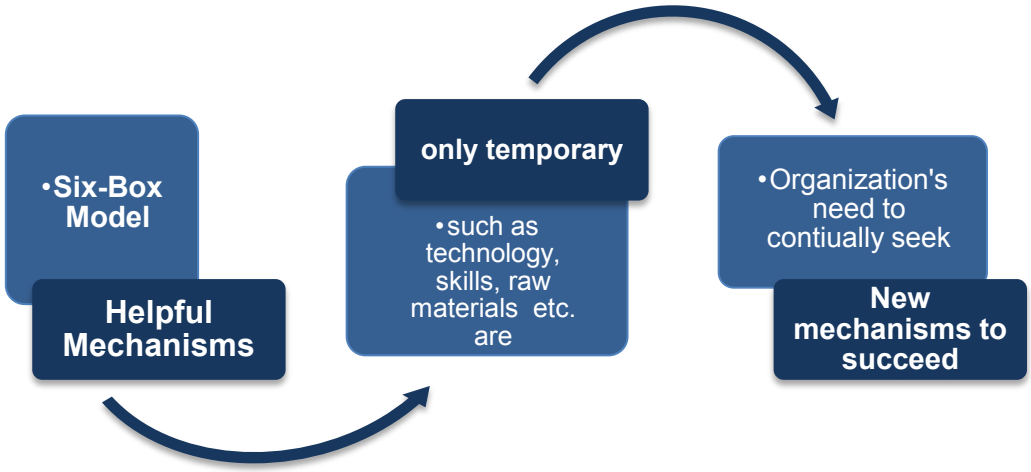
Speaking of a positive culture, leadership is another important piece of the organizational puzzle. When you have strong leadership in place, it helps everyone else go about their work each day with a sense of confidence and purpose.

Of course, it should be noted that strong leadership doesn't have to mean ruling the company 'with an iron fist'. Rather, it is often better to be an understanding and caring leader, working as a part of the team rather than being removed from it in a distant corner office.

Helpful Mechanisms

Having in place the technologies and other pieces of the puzzle that make the organization work is essential to your success. These mechanisms are certain to change over time as technology improves and markets advance accordingly, so you will want to stay on top of the things that you are using to be efficient and competitive.

What was once considered to be a 'helpful mechanism' could quickly fall out of date and become a liability to your business. Don't just assume that something which was once helpful is going to remain so for years to come – technology changes quickly, and those companies that fail to keep up with it will usually wind up looking up at the competition as it pulls away.



Taking the time to go through the six-box model as it relates to your organization is a useful exercise that could yield a number of interesting and revealing discoveries. One of the most common mistakes in business is assuming that you already know everything there is to know about the way your business operates and the way it competes in the market.

Unfortunately, that is rarely the case. More likely, you have a lot to learn, just like everyone else, and the six-box model can help you in that quest. Work hard on each of the six points in this model and you will come out on the other side with a sound understanding of how your business works and what it is you can do to stay competitive over the long run.

Key Points

- The six-box model is a generic framework developed by the American analyst Marvin Weisbord to assess the functioning of organizations.
- The six-boxes that make up the model are: Purposes, structure, relationships, rewards, leadership, and helpful mechanisms.
- Purposes: Do organizational members agree with and support the organization's mission and goals?
- Structure: Is there a fit between the purpose and the internal structure of the organization?
- Relationships: What type of relations exist between individuals, between departments, and between individuals and the nature of their jobs? Is their interdependence? What is the quality of relations? What are the modes of conflict?
- Rewards: What does the organization formally reward, and for what do organizational members feel they are rewarded and punished? What does the organization need to do to fit with the environment?

Key Points cont.

- Leadership: Do leaders define purposes? Do they embody purposes in their programs? What is the normative style of leadership?
- Helpful Mechanisms: Do these mechanisms help or hinder the accomplishment of organizational objectives?
- One of the most common mistakes in business is assuming that you already know everything there is to know about the way your business operates and the way it competes in the market.
- Taking the time to go through Weisbord's six-box model as it relates to your organization is a useful exercise that could yield a number of interesting and revealing discoveries.

Other Free Resources

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